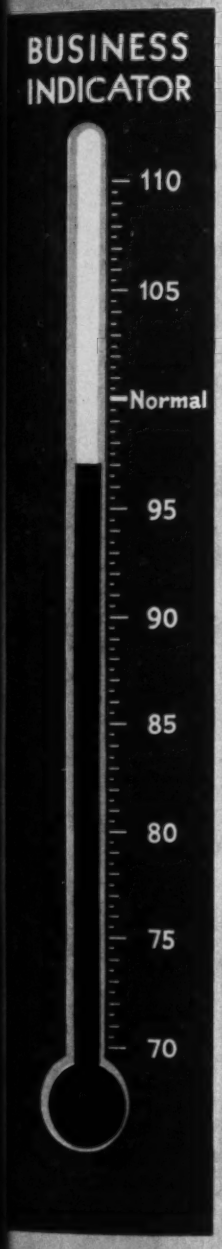
JULY 23, 1930

THE BUSINESS WEEK

JUL 21 1930



THE passing of the mid-year spurt, marked by unusually high levels of building contracting and money turnover, has left business facing the full force of the usual July slackness, now emphasized by a depression year. . . . . Our index, after touching normal for a brief period at the end of June, has receded, as expected, to 97.2%. (See pages 34-35.) Further declines will probably be recorded in the remaining weeks of the month. . . . . Industrial activity, apart from building, is at the lowest level of the year, but general trade, though slackening somewhat with the season, continues well sustained in comparison with production. Commodity prices, except in key agricultural products, show greater steadiness here and especially abroad. The stock market is putting up encouraging resistance to further liquidation at a time when it is least expected, and business sentiment has a better tone. . . . . The most doubtful features of the situation are the disposition of the Farm Board to let further commodity price deflation proceed under the weight of temporary wheat and cotton surpluses, and the recent signs that the Reserve authorities are relaxing their efforts to sustain the rate of credit expansion and adopting a more passive open-market policy. . . . . Such concessions to the deflationist philosophy will be fatal to early business recovery.

15 CENTS McGRAW-HILL PUBLISHING COMPANY INC.

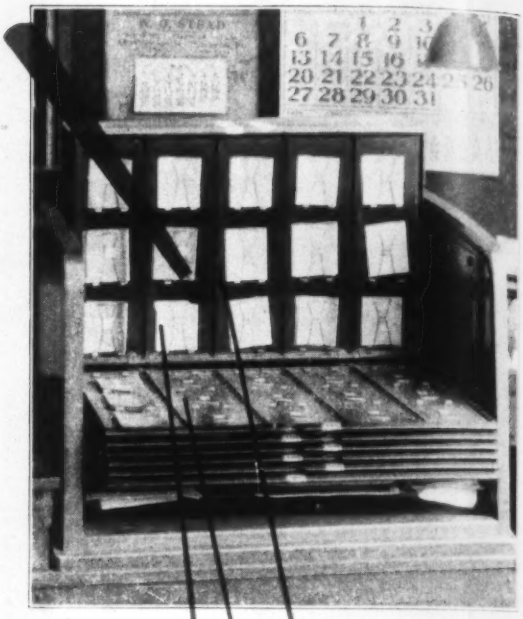
Where What

THERE

with Only "One-Writing" Necessary!

ARE JOBS IN PROCESS, 1800 PARTS, PRODUCTION AND PAYROLL DATA?

IS UNIT COST, WORKER'S PAY, DEPARTMENTS CAPACITY AND EFFICIENCY?



COMPLETE cost control on all factory operations CAN be had with a minimum of accounting. Take the example of Plant No. 2 of the Floyd-Wells Co., Royersford, Pa., which handles all the steel stamping and enameling of over 200 styles and 6 colors of kitchen ranges. C. Fegley, Production Manager, reports:

"In the store room, two McCaskey cabinets maintain perpetual inventory on over 1800 parts *to within 2% accuracy.*

"A manufacturing order is written for each piece ordered, one copy for the McCaskey production board, another for the shop. A three-copy labor service slip is written for each operation. Slips are posted on return, enabling us to schedule production intelligently and locate any job instantly.

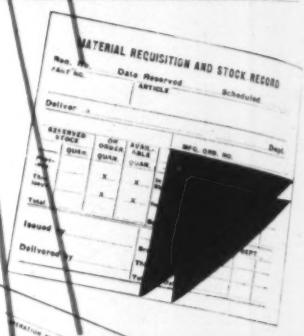
"Weekly pay roll distribution is easily made up from this slip. Exact and detailed production and cost data is then available. Each foreman receives a weekly report on his department's efficiency, percentage of scrap, etc.

"Without the McCaskey System it would be impossible even to approximate our close production and inventory control and accurate cost data except with greatly increased clerical labor. In this respect alone the system undoubtedly pays for itself at least every year."

What You See—You Can Control

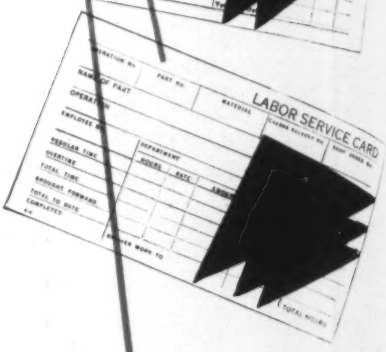
In the list of McCaskey *One-Writing* Systems at the right there is an economical answer to every production problem now facing you. A study of those problems by a McCaskey Representative will not cost or obligate you in the least, and it will probably lead to savings and benefits as striking as those mentioned above. Won't you give us this opportunity?

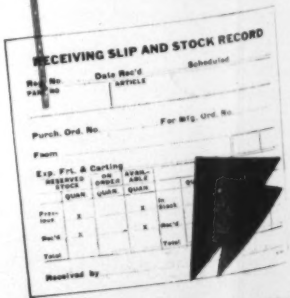
McCASKEY ONE WRITING SYSTEMS



McCaskey One-Writing Systems for

- Perpetual Inventory
- Single and Dual Control
- Production Control
- Machine Control
- Process Inventory
- Cost and Payroll Records
- Order Control
- Planning, Routing and Dispatching
- Tool Check and Tool Investment Control





THE McCASKEY REGISTER CO.

Industrial Division 9070, Alliance, Ohio

Galt, Canada — Watford, England

McCASKEY

ONE-WRITING SYSTEMS

THE BUSINESS WEEK (with which is combined The Magazine of Business) July 23, 1930. No. 46. Published weekly by McGraw-Hill Publishing Company Inc., Tenth Avenue at Thirty-Sixth Street, New York, N. Y. James H. McGraw, Chairman of the Board; Malcolm Muir, President; James H. McGraw, Jr., Vice-President & Treasurer; C. H. Thompson, Secretary. $5.00 per year, 15c per copy. Entered as second-class matter February 15, 1930, at the Post Office at New York, N. Y., under the act of March 3, 1879. Printed in U. S. A. Copyright 1930 by McGraw-Hill Publishing Company, Inc.

What's In This Issue —And Why

Farm Income

BUYING power of the farmer doesn't look large with 90-cent wheat, 13-cent cotton. Yet costs have been cut, yield is good, and there is a chance wheat may hold its price. The Farm Board's acreage reduction campaign angers Kansas, brings a crisis. *(page 5)*

Ships

OSTENSIBLY to look into the strange case of the Diamond Lines, President Hoover's shipping inquiry committee really will study the whole broad problem of our Merchant Marine policy, feared abroad, criticized at home. *(page 9)*

Europe Borrows

MANY economists believe business collapse was due to the fact that Europe, unable to compete with our roaring bull market, could not borrow money here to carry on. Conversely, the remarkable increase in such borrowing this year will help business recovery. *(page 10)*

World Bank

THAT interesting and tremendously important experiment, the World Bank, has made a quiet but highly promising start, its first statement of condition shows. *(page 11)*

Furniture

THE furniture retailers bought encouragingly at Chicago's summer market; 700 manufacturers report better business than they expected, join to promote better merchandising. *(page 12)*

Cans

CAN makers are conspicuously absent from the business mourners' bench, look for a good year. Canners aren't quite so sure. *(page 14)*

Paper

ONE trouble with newsprint manufacturing is that the product is sold to newspapers—the customers' squawks make so resounding a racket, cause so much trouble. But the Federal Trade Commission reports it finds no skullduggery in the industry—just old-fashioned overproduction. *(page 13)*

The Taplins

AMONG the famous brothers of the Lakes region—the Fishers, Dodges, Whites, Van Sweringens—must be reckoned the Taplins, whose growing power, aggressive tactics, in coal and rails have bewildered the financial world. *(page 16)*

Oil

GENERAL ASPHALT, looking for pitch, found oil in Venezuela, decided oil was not its business, called in Dutch Shell as managing partner. Now says it was outrageously rooked—files suit. The oil world rocks with excitement; no one heretofore has had nerve enough to beard Sir Henri Deterding. *(page 19)*

Pipe Lines

THESE are piping times of prosperity—or anyway, times of piping prosperity, with 500,000 tons of pipe ordered the last few weeks. *The Business Week* presents a map showing the 162,000 miles of pipe line in the United States, the 9,000 miles being built this year. *(page 26)*

Tariff

IT may be a bad tariff bill, but at least its application will be as nearly painless as possible. Everyone agrees that the administrative features of the new law are a great advance, eliminating miles of red tape entanglements. *(page 28)*

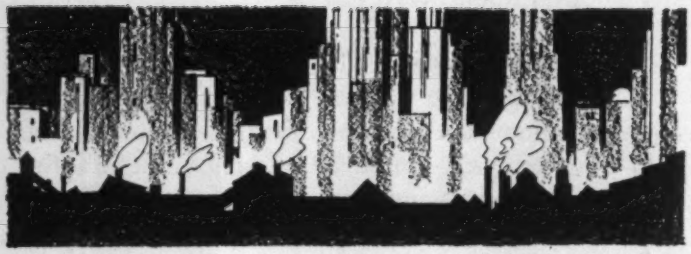
Canada

MANY Canadians think Mackenzie King's May tariff legislation was too soft an answer to the Hawley-Smoot law. If enough vote that way on July 28, R. B. Bennett, Conservative leader, will go into office with a clear mandate to make a harsher one. *(page 31)*

The Business Index

THOSE who keep track of the business weather by watching the thermometer on our front porch will be interested to know that it purposely has been made extremely sensitive to the weekly fluctuations that are so important in this unsettled period. *(page 37)*

Pushing their towers higher and higher. . .



Skyscrapers called for a new building material and ALCOA ALUMINUM ANSWERED

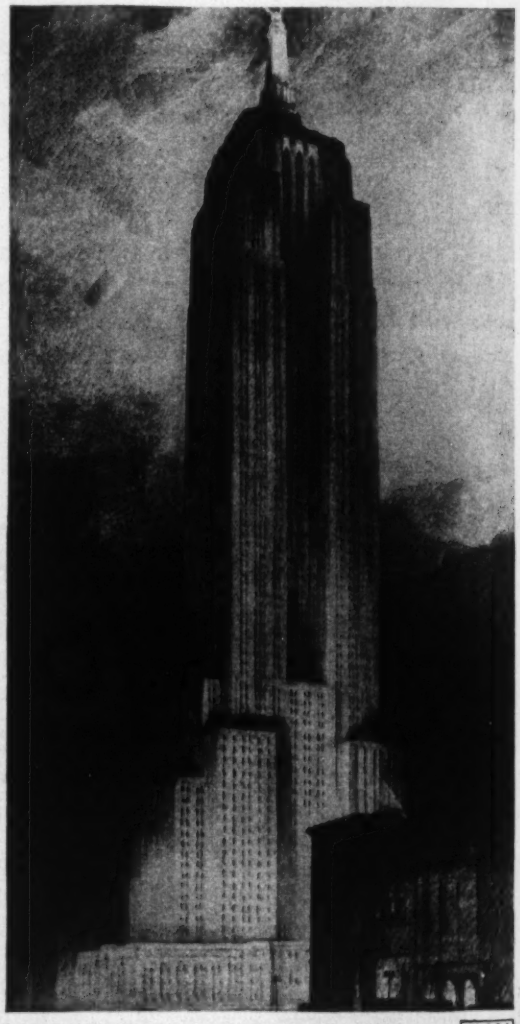
Yesterday is gone. Today things are different. Only a short time ago the Woolworth was the world's tallest commercial building. Today its height is eclipsed. Rivals look down on it—others are building.

One result of this race, to push buildings higher and higher, has been to develop a *new* building material—Alcoa Aluminum.

Now cornices, coping, cresting and spandrels—window frames, sash and sills, columns, stair treads and numerous other products are wrought, cast or extruded from the strong alloys of this bright, light metal which resists corrosion and offers the architect a new color for decorative purposes.

Weighing only 1/3 as much as other commonly used metals, aluminum alloys bring tremendous weight savings—2/3 less to handle, from the first step in fabrication to the final setting in place of the material in the building. Readily workable, they lend themselves admirably to any character of design. They need not be painted. For architectural purposes they cost no more than other materials that might be used.

The material gains of light weight, great strength and resistance to corrosion that the strong Alloys of Alcoa Aluminum exhibit as the new building material are readily available to industry, too. Why not let us show you how these Alloys would meet your manufacturing needs? ALUMINUM COMPANY *of* AMERICA; 2405 Oliver Building, PITTSBURGH, PENNSYLVANIA.



Empire State Building—Fifth Ave., from 33rd to 34th Sts., New York City. Owner, Empire State, Inc. Architect, Shreve, Lamb & Harmon. General Contractor, Starrett Bros., Inc. Sub Contractors, C. E. Halbeck & Co., and Wm. H. Jackson Co. This building will use about 600,000 pounds of Alcoa Aluminum for Spandrels.

ALCOA

ALCOA ALUMINUM

THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending July 19, 1930

Wheat Growers Won't Plant Less; Price Outlook Is Uncertain

Farm Storage and Better Marketing May Help; Cotton Is in Weaker Position

THE Legge-Hyde tour of the Southwest, launching the government's campaign to persuade or force farmers to reduce wheat acreage, has precipitated another crisis in the government's farm policy and the Farm Board's career.

Kansas, which produces 150 million bushels of wheat, nearly a fifth of the total American wheat crop, will have none of the Farm Board's medicine. Kansas publishers have taken offense at Legge's reference to the state's tendency to expand wheat acreage as hoggish, and ask his resignation, for which he tells them to go to Hades. Governor Reed and Senator Capper are demanding that the board buy 100 million bushels of the new crop to raise prices. Washington is worried over reports that the wheat situation has revived the movement for the McNary-Haugen plan, with its equalization fee scheme, throughout the wheat belt. The cabinet debates the situation but the President says he is leaving the problem to the Farm Board, which shows no sign of weakening under attack. Congress not being in session, the board apparently is disposed to hew to its acreage reduction campaign, counting on low prices as a weapon to force victory. It hopes also that more extensive farm storage of the new crop and stronger marketing organization will prevent the medicine from killing the patient.

Crop Report Helps

The July government crop report and the current market situation seem slightly favorable to this strategy, but the outcome is highly problematical. The government forecast shows a winter wheat crop below last year's, but a larger spring wheat crop, with a total approximately the same as a year ago but below the average of the past five years. Reports of damage to spring wheat in the Northwest and Canada have helped sustain prices during the past week. The crop report as a whole suggests no notable increases over recent years except in corn, barley, and tobacco.

The world wheat situation suggests that the decline in wheat prices may have run its course. The wheat yield in the principal exporting countries last year was almost 30% below the preceding year. The bullish effect of this decline was offset by heavier carryover in the United States and Canada and bumper crops last year in the European importing countries. Although Australia's supplies from last season available for export are fairly large, the Argentine surplus has practically been exhausted and new crops in the southern hemisphere will not be available until December. Meanwhile in some European countries such as France and Italy, this season's crops have been relatively poor and European supplies are at low levels due to drastically reduced imports during the past year.

Wheat Gets a Chance

In general, considering the possibility of further damage to the spring wheat crop, there is a bare chance that prices may hold at present levels or even rise moderately during the rest of July and August, especially if farmers cooperate in holding the present crop from the market. The movement of the winter wheat crop to market appears to be running behind last year, and reports from Texas indicate that farmers are piling wheat on the farm, saving storage charges and waiting for better prices, which they hope the Farm Board will provide. The board has about 70 million bushels, some of which it is turning over, replacing sales of old wheat by purchases of new, but apparently not intending to throw its holdings on the market at this time.

Although cotton prices are still holding up fairly well, cotton is in a far weaker position than wheat. Stocks are very large, exports far behind last year. Domestic consumption in the past eleven months of the cotton year has been more than 800,000 bales below the preceding year. A striking feature of the cotton situation is that the supply of Indian cotton in India is considerably below that of the past two years, while domestic consumption and export exceed the figures of the past two years. The result is that Indian cotton is selling about 1½c. a pound higher relative to American than a year ago or two years ago. It is clear that the domestic and foreign business situation has reacted more seriously upon American than upon Indian cotton.

Farm Costs Drop

Wheat at less than 90 cents, cotton below 13 cents, and farm products as a whole nearly 10% below last year do not make a favorable farm prospect on the income side. But crop yields have been good, and some farm costs in this crop year have been cut. The July 1 report on farm labor and wage conditions shows a record large supply of farm help and low wages. Unemployed city workers trekking back to the farm for a job and farmers doing their own work this season have raised the supply of farm labor in ratio to demand to 25% above last year. In consequence farm wages have declined 2% since April and are about 8% below a year ago throughout the country. The average rate per day without board is $2.23, but in the South Atlantic and South Central states about $1.50 rules. This is not much above the prewar average of $1 to $1.25.

But Effect Is Doubtful

How far this cut in labor costs will help wheat and cotton farmers to meet 90-cent wheat and 13-cent cotton is doubtful. The Department of Agriculture figures the average cost of producing a bushel of wheat last year at $1.24, and for cotton, from 9 cents for the heaviest yield farmer to 29 cents for the lowest.

Meanwhile Farm Board members, despairing of helping the farmer much, have turned to relief of the consumer by exhorting retailers to cut prices of farm products, hoping thereby to stim-

ulate consumption. Denman, livestock member, let go a blast against retail meat prices recently and feels that the butchers of the country have taken heed. McKelvie is now working on the bakers, appealing to their conscience to note the low price of wheat and cut the price of bread. The bakers are coy and reply that they bought their flour some time ago. A lamb chop may be a lamb chop, but a loaf of bread varies and instead of always changing its retail price they prefer to adjust its flour content when necessary.

Thus neither farmer not consumer in this hour of need can lean too heavily on the staff of life, which is made of rubber.

Saskatchewan Wheat Growers Want Pool Made Compulsory

CANADA still is carrying over 135 million bushels of wheat. Exports to June 30 were 35 million bushels against 60 million to June 30, 1929.

The Canadian Wheat Pool is hard hit.

It has been forced to pass the final payment to its farmer members on the 1928 crop and the second payment on the 1929 crop. On top of this, it has announced that the initial payment on 1929 wheat delivered after June will be only 85 cents compared with $1.00 paid on that previously delivered.

The outlook is for an initial payment of not more than 75 or 80 cents on the 1930 wheat.

The provincial governments are faced with the prospect of having to make good their guarantees of the pool's loans from the banks.

Saskatchewan members have started measures toward establishing a 100% compulsory pool. Pool officials, fearing evasion of contracts by its members through the "bootlegging" of wheat into independent trade channels, are giving tacit approval to the compulsory movement they have hitherto opposed.

Considerable discontent prevails. It will gather volume if the initial payment on the 1930 wheat is not above 80 cents. The fact that the non-pool farmers received around $1.35 for their wheat last fall does not make the pool farmers any happier. The pool farmers are tied up by contracts for three more crops, however, and the validity of these contracts has been upheld in the courts.

At the semi-annual meeting of the Saskatchewan Pool held at Regina last month, at which 106 delegates were present, a plan was adopted for testing out the compulsion idea. Ballots for the first referendum on the draft bill are to be distributed to the pool members this month.

The compulsory pool idea has not gained much favor in either Manitoba or Alberta, which flank Saskatchewan on the east and west. Should it be adopted in Saskatchewan, it would likely result, therefore, in the dissolution of the central selling agency for the three provincial pools, as a compulsory pool could hardly function in conjunction with the voluntary pools.

Should the Saskatchewan farmers adopt the compulsory pool plan, a question would remain as to the validity of the legislation bringing it into effect. It is regarded as exceedingly doubtful whether any law could be upheld as constitutional which sought to prevent a farmer from disposing of grain as he saw fit, if not under voluntary contract.

Mail Order Catalogues For Fall Talk Thrift

COMPARISON of advance copies of the new fall catalogues of the two big mail order houses with last spring's books reveal that, while price reductions are less startling and all-inclusive than recent reports in the press would indicate, there are enough to add zest to shopping by mail.

Thrift is the keynote. Montgomery Ward's fall catalogue has Benjamin Franklin on the front cover, with the reminder "A Penny Saved is a Penny Earned." Sears' cover carries the assertion, "This is the thrift book of the nation. Grade for grade, prices are lower —MUCH LOWER—than at any time in the last ten years."

Both books have increased sales "punch." Ward's has 726 pages, as compared with 552 last spring; Sears', always with smaller pages, has 1166, as compared with 992.

Prepayment of freight is not offered, though prepayment of parcel post is. Tires are sent postpaid, but furniture and farm implements now come collect.

Ward's offer of instalment payment privileges on all items other than food, recently announced as effective till Sept. 15, is not in the catalogue.

Special emphasis is given by the Ward catalogue to home modernization.

HANDS BENEATH A FRONTIER

Councilman John Nagel of Detroit (left) greets Mayor Cecil Jackson of Windsor commanding the first official party through the world's first international vehicular tunnel. It runs under the Detroit River

Wide World

ONCE WORLD'S MOST MODERN HOME

That was when the genius on the left made it the world's first dwelling lighted by his new electric bulb. Now the genius on the right has removed Mrs. Jordan's boarding house from Menlo Park, N. J., to Greenfield, the "Early American" village which he has assembled near Dearborn, Mich.

"Install That New Bathroom Now," urges a special insert sheet which offers last-minute reduced prices, substantially below those appearing in the body of the catalogue. Color in the home is emphasized.

Tire prices are changed little, if any. The Ford size balloon tire, which was $5.85 in the spring, $5.55 in the summer flyer, is now $5.65, a dime higher. The featured 89c work-shirt that went down to 79c for the midsummer sale, stays at that figure. An overall leader, $1.29 in the spring, is $1.10 now. Numerous other overall items are unchanged as to price, though there may be quality improvement.

Clothing Cheaper

Clothing and other textile products show some attractive reductions. Muslin that was 10 yards for $1.10 is ten yards for 89c. A "Leather-Tex" coat is reduced from $6.98 to $5.98. But such reductions are the exception. Few are that large.

Here and there a slight price increase is seen.

It is noteworthy that lowest price merchandise does not necessarily tend to get the featured positions. One gets the impression that quality and style are being more and more played up.

High Spots in June Building Figures

TOTAL construction contracts awarded in June, according to F. W. Dodge figures, amounted to $600,533,400. This is an increase of 31.3% over May, 13.3% over last June, and highest since July, 1929. The sharp rise was due principally to a number of large pipeline and utility awards.

As in every month so far this year, public works and utilities were the most important of all classes—almost two-fifths of the total, with an increase of 86.7% for the month and 108.5% as compared with last June.

This type of construction takes on the average eight months to complete after the contract award, so that the peak of effects on general business activity comes about four months afterward.

The large totals of public works and utilities construction during the first half of this year may therefore be expected to exert their influence throughout the remainder of the year, even though the contracts awarded from month to month may show no increase hereafter.

The outstanding feature of the first six months' record of building in 1930 is the large increase in public works and utilities construction—a third of the total awards, 40% above last year, and the highest on record.

Other classes of non-residential construction made a fairly good showing —5% to 8% below the past four years, but remaining nearly 10% above 1925. Hospitals and institutions, public buildings, and educational projects showed increases. Commercial building was behind any of the past five years. Industrial building, although lower than in 1929, was above 1928, 1927, and 1925.

Residential building remained the weak feature, falling 46.7% below last year and amounting to less than half the average of the past five years.

The large expansion in public works and utilities during the first half has decreased the deficit in total construction 12.5% below last year's deficit, and this is expected to be approximately the result at the end of the year.

The geographical distribution of building activity is quite uneven. Construction in the Northeast, Middle Atlantic States, Pittsburgh territory, and Southeastern territory was higher than last year for the month and for the first half, and in the St. Louis and Kansas City territories and Texas, contract awards were two or three times as great as in the corresponding periods of 1929. Metropolitan New York, upstate New York, Southern Michigan, and the Chicago territory, all representing urban or manufacturing centers where business depression has been concentrated, continue to build less than last year.

It is probable that heavy tax burdens and close approach to legal debt limits on borrowing by local governments is tending to retard increased public building in thickly populated urban districts.

Railroads Question Effect Of Class Rate Revision

RAILROAD executives who have been studying changes in class freight rates ordered by the Interstate Commerce Commission (*The Business Week*, July 16) are not so sure that what has been announced as an "upward revision" means an increase in annual revenues approaching anywhere near the Washington estimates—"$12 millions to the lines in the West; $40 millions to the Eastern roads."

While welcoming a trend toward higher rates, they see several flies in the ointment: With business in the state it is, notice of higher freight charges may have a bad psychological

effect on shippers; increased class rates may divert further traffic to their very active competitors on the canals and highways; the boost in short-haul rates may easily drive more of this business to the trucking companies, while at the same time, long-haul rates are coming down. But R. N. Collyer, chairman of the Trunk Line Association, believes that the increases will bring in more than enough to offset the decreases.

Northwestern roads are not looking for impressive gains in revenue through the class rate revision; are basing their hopes on subsequent increases in the commodity rates under which wheat, livestock, and other heavy traffic moves on these lines.

Talkie Patent Dispute Ends; Its Prize Big German Market

By Special Cable to The Business Week

THE world's talkie industry has suddenly gone silent. For weeks the German and American interests behind closed doors in Paris have battled over 1,100 sound-film producing and reproducing patents claimed by Tobis and Siemens & Halske in Germany and by R. C. A. and Western Electric in the United States. When the sessions closed this week, Will Hays, who has presided, said he was "satisfied with the progress that had been made toward an understanding." He went to Berlin.

Berlin believes the dispute is settled. *The Business Week* correspondent is told the Paris conversations brought an understanding for the interchangeability of sound-film patents with mutual payment of royalties. Details are yet to be worked out by a group of lawyers who will draw the contracts. This will take several months of minor negotiation, but nothing is expected to develop which will upset the basic agreements reached in Paris.

Germany has 5,266 movie theatres; only 223 were wired for sound at the end of 1929. Great Britain had 4,426 theatres, 980 equipped for sound productions. France has 3,113 theatres, 166 sound equipped; and Italy 2,405, with 51 talkie houses. These figures reveal the importance of the German market, account for the prolonged struggle to penetrate it. Even the 223 theatres equipped to produce sound pictures have not been available to American productions; a German law prohibits from entry products made on foreign equipment. Warner Brothers recently made an individual agreement with Tobis-Klangfilm interests and broke in. What effect the new understanding will have on them, motion picture authorities are unwilling to speculate.

Definite, whether an outcome of the Paris Conference or not, was the decision of the German Reichstag Wednesday to transfer the control of film imports from the Ministry of Economy to the Ministry of the Interior and to replace the ill-fated contingent system with so-called cultural censorship regulations. They will maintain only a foreign quota of 210 films, of which 90 can be sound pictures. Special arrangements may result if present conversations in Berlin make it possible for American motion picture companies to produce German language films in Germany.

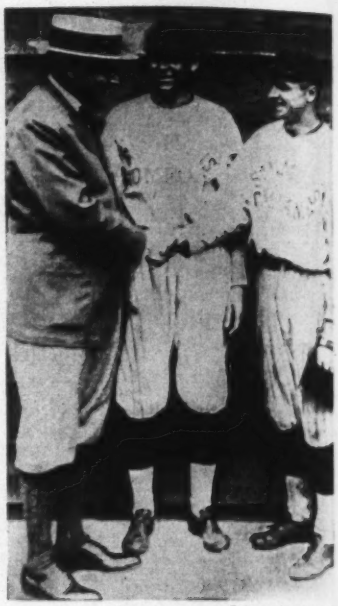
—

At the New York office of Motion Picture Producers, Mr. Hays' colleagues had received no word from him, interpreted this to mean no final results had been accomplished at the Paris conference.

Russian Orders Increase In Britain and Italy

CABLES to *The Business Week* from its London correspondent repeat Glasgow rumors of an impending Soviet order for Clyde-built ships. They also quote statements by Saul Bron, chairman of the Soviet trade delegation in London, that Anglo-Russian trade expansion awaits only a financial arrangement similar to that on which exporters to other European countries do business; that if Britons "loosen up" on export credit guarantees and banking cooperation, their sales to Russia next year may reach $250 millions; that Soviet negotiations with engineers, shipbuilders, and iron and steel firms promise large orders within the next few months. Russia's recorded orders in London for the 9 months ending June 30 totaled $65 millions.

Rome has publicly confirmed the rumor of a $10 million export credit guarantee on Soviet orders from Italy. Exports will be largely chemical and hydroelectric installations, chemicals, and automobiles. Soviet orders placed in Berlin in the 3 months ending June totaled $26,874,245.



International News

A SACRIFICE PLAY

President Z. G. Simmons of the Simmons Co. made one this week to protect employee-stockholders

Protects Employees When Stock Slumps

EMPLOYEES of the Simmons Co. of Kenosha, Wis., which advertises sleep to sell beds, were agreeably surprised a few days ago by a letter they received from Alfred Terrill, vice president and general manager. He told them that a group composed of the Simmons, Towne, and Vance families and a few others had provided funds so that they might cancel their subscriptions to Simmons stock made early this year and receive back whatever cash had been paid on instalments, plus 5% interest.

This unusual development has resulted from a decline in Simmons stock from $101.50—the price at which employees contracted for it—to current quotations around $24. Obviously, such a severe decline worked a real hardship upon workers and defeated the company's purpose.

Simmons business for the first half of 1930 was considerably below that of 1929; the company passed its regular July dividend; Berkey & Gay Furniture Co.—important subsidiary—reported an operating loss for the first half year.

Shipping Inquiry Will Go Far Beyond the Chapman Dispute

Hoover Committee Will Study Whole National Policy And Try to Put It in Better Light

THE President's new committee to unscramble the merchant marine mess has been organized and begins work at once in New York.

Ira A. Campbell, counsel of the American Steamship Owners' Association, is secretary; H. G. Dalton, of Cleveland, is chairman; and the other members are Clarence M. Woolley, Edward N. Hurley and George S. Jackson.

Although the members' chief job is to solve the problem of the disposal of the American Diamond and the American France Lines either to the present operators or to the Chapman system, it is expected that they will investigate our whole merchant marine policy as it has been carried out by the Shipping Board and the Post Office Department and do something to put it in a somewhat better light before the public.

When Congress adjourned it was beginning to become quite excited about the whole problem. Resolutions proposing investigation of the Shipping Board by Congress failed to get through, but unless the President's committee proposes satisfactory solutions of the questions involved in disposing of governmental vessels and granting mail subsidies, it is probable Congress will reopen the matter.

Acme

TO UNSNARL TANGLED LINES

President Hoover's committee which is to investigate our merchant marine policy and its operation. Left to right, front row: Ira A. Campbell, New York; Edward N. Hurley, Chicago, former chairman, U. S. Shipping Board; George S. Jackson, Baltimore. Back row, Clarence M. Woolley, New York, of the American Radiator Co.; H. G. Dalton, Cleveland, O.; Secretary of Commerce Robert P. Lamont

As the committee starts work, two developments give special point to its task. Foreign criticism of American shipping policies has become sharp and is growing. A resolution passed at the Baltic and International Maritime Conference held at Copenhagen last month expressed the resentment of most of the European shipping countries toward the aggressive support of American merchant marine expansion by governmental subsidies. Resentment on this point is second in importance to that aroused by the new tariff abroad.

Easy to Start War

Since most European maritime nations, except Germany, are already using subsidies of one form or other to aid shipping, it will be easy to increase such aid and precipitate an international shipping war which might be as unfortunate in its effect as the tariff war to which the new American tariff has given impetus abroad.

A statement issued last week by W. Irving Glover, assistant postmaster general, will not help to improve international relations in this field. Referring to the resolution mentioned above, Mr. Glover says that "the United States will not be frightened by mere words and threats from its determination, with the aid of Congress and the Jones-White law as administered through the Post Office Department, to have a real merchant marine which will maintain front rank with the nations of the world." "Uncle Sam is just striking his gait and when he does, look out. There is shipping room for all the world on the seven seas, but the United States is planning to occupy its seat and not be pushed off by those other countries which might be glad to see this accomplished."

A Protest Heard

Others are not so well satisfied with the way the Jones-White law has been administered through the Post Office Department and the Shipping Board. John Nicholson, former counsel of the committee on legislation of the Shipping Board, has published a pamphlet, now printed as a Senate Document, attacking the mail awards made by the administrative agencies to private American steamship companies under the mail contract provisions of the legislation. Mr. Nicholson argues as an advocate of shipping subsidies which he feels are justified as an extension of the protective tariff system, but charges personal favoritism and waste in the administration of the subsidies which

he says in the end will prevent building up an American merchant marine. He questions the soundness of the policy of giving preference to present operators of governmental lines or of permitting bidders for such lines or for mail contracts to increase their bids after bidding has been closed. He feels that all shipping interests except those in the protected coastwise trade should have an equal opportunity to benefit by government aid in proportion to their ability and willingness to assist in the development of a strong merchant marine.

Ammunition for Attacks

The chief significance of this attack is that it will probably serve as ammunition for those in Congress who are already suspicious and antagonistic toward present governmental shipping policies.

Shipbuilders are going ahead undismayed by the prospects of radical changes in Shipping Board organization or in administration of governmental marine policies by Hoover's committee or Congress. The Shipbuilders' Association reports more workers employed in shipyards July 1 than a year ago. Judging by consumption of electric power, shipbuilding activity during June was 4.6% above last June, and the first half of this year 9.2% above last. Chapman announces that the keel of the first of his two new 30,000-ton super-Leviathans will be laid in December, and both will be completed in 1932.

Behind on Motorships

During the second quarter ending June 30 Lloyd's shows a decline in world ship construction under way, bringing the total below the pre-war level, but still higher than last year by about 6%.

Nearly all of the loss in the past quarter is due to a decline in Great Britain and Ireland. The United States shows an increase. During the past year this country has doubled its volume of shipbuilding while British activity has declined. The United States now is in second place to Britain in the amount of ships being built and has shoved Germany down to third rank.

In spite of this, other countries are taking the lead in motorship construction. Almost 60% of vessels being built in England are of this type as against 40% a year ago, while in the United States only 15% of the construction is of motor vessels as against 20% in the first quarter of this year.

Increase in Foreign Loans Is Favorable to Business Recovery

FOREIGN lending in the two great financial cities of the world in the first half of this year has helped to relieve the business recession existing in almost every country.

Economists now widely agree that the recession was largely brought on by a restriction in the supply of world credit during late 1928 and 1929, when foreign loans by New York and London decreased to less than half their volume in earlier years, putting a sharp crimp in business activity and expansion throughout the world. They add that this also explains the heavy decline in foreign trade, noting that the present ability of foreigners to purchase American goods is greatly dependent upon the extent of our lending abroad.

This adds interest to the news that in the first 6 months of this year foreign loans in New York increased 73.1% above the total of the same period last year; that total foreign bonds purchased January-June amounted to $758,402,000 as compared with $437,901,000 in the first six months of 1929, an increase of more than $300 millions for 1930.

In the London market also, foreign loans have increased, though not by so much. London's total loans to foreigners the first half of this year, as shown by *Economist* compilations, were about $33 millions in excess of the volume for January-June last year—higher than in any recent year.

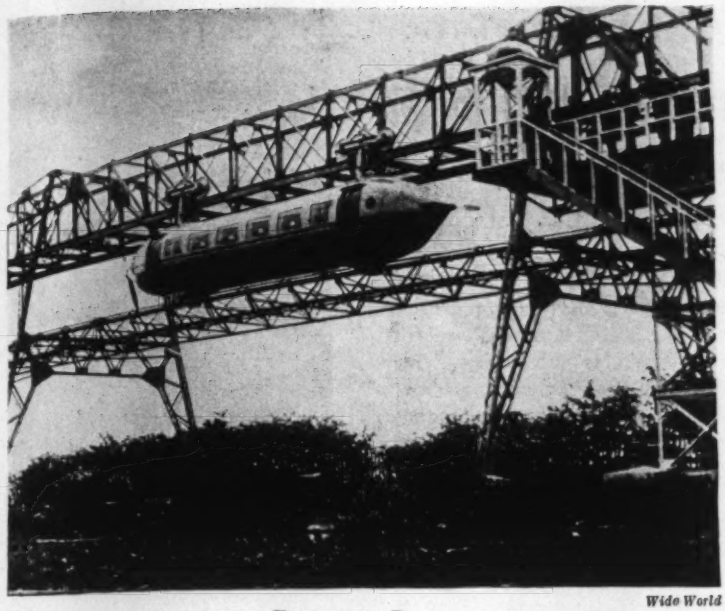
These increases do not as yet make up for the very large recession in this lending last year, but they show that the tide is turning in a helpful direction.

Easy money rates throughout the world contribute to the ready absorption of this increased volume of bonds. The short-term money markets have not drawn funds for investments as they did last year. Obviously, rates of 1 and 2%, from which commissions must be deducted, will not attract a great amount of capital. Likewise commercial loans by banks have been considerably decreased with the slowing up in business activity. This puts the banks in the market as buyers of bonds for their investment portfolios.

Pacific & Atlantic

PROBABLY ABOVE PAR

W. H. Bennett, until recently vice chairman, Irving Trust; Bayard Dominick, of Dominick & Dominick; R. L. Hoguet, first vice president, Emigrant Industrial Savings Bank; C. A. Ludlein, director, Hanover Fire Insurance Co.—reading left to right



Wide World

FLYING BY RAIL

Its cars driven by air propellers fore and aft, the Bennie Railplane System, at Glasgow, is intended to straddle above existing railroad tracks and provide passenger service at flying speeds

Long-term money rates have not eased as much as short-term rates. This naturally tends to draw money for investments into long-term bonds. Buying for investment by individuals and banks gives the bond market a considerable power of absorption. This is all needed since there has been a 65% increase over last year in volume of bonds placed on the market.

In addition to the long-term money going abroad through the sale of foreign bonds in London and New York, considerable American money is going abroad directly for either short-term or long-term investment. The foreign exchanges reflect considerable strength. Already there is the possibility of gold movements to France and the pound sterling has shown a persistent, if slow, increase in value. This tendency bids fair to continue for some time and is among the favorable signs of a coming pick-up in business conditions.

World Bank's First Statement Shows a Fast, Smooth Start

THE new World Bank has made a quiet but highly promising start on its big job. Its first statement of condition, just issued, indicates that progress is following close to the line laid out by its organizers.

For example, they set down as a basic policy that assets should have a high degree of liquidity. The statement now shows that almost half of the Bank's assets are deposits which can be withdrawn immediately or within up to 90 days. Other assets include acceptances and treasury certificates.

The Bank's total resources are given as $210 millions—made up of the paid-in capital, deposits of $21 millions by central banks and a considerable amount in undistributed reparations bonds from the recent loan.

No indication is given by the statement, or otherwise, as to what countries hold how much of the Bank's assets; however, the laws under which the Bank is organized specify that it cannot operate in any country whose central bank vetoes its operations there. The World Bank's directorate is made up of officials of these central banks and it is considered improbable that they will give out information on its activities in their countries, except in very rare cases.

Incidentally, friends of the Bank are quoted as advising that all current publicity be soft-pedalled with the thought that if the Geneva institution keeps quiet until it can show beneficial results, some of the early distrust and obstruction will die a natural death, whereas it might be stirred to new action by too much publicity now.

The Bank holds about $50 millions of bankers' acceptances. In order that it may not be competitive with regular commercial banks, it cannot itself accept, but can buy acceptances as investments for short term, and it appears that the acceptance will be one of the important mediums through which the Bank will operate.

Factor in Our Market

This is of special interest to the United States. About half of all bankers' acceptances outstanding in this country are already held by foreign banks, indicating the popularity of the American acceptance abroad. It now seems probable that the new World Bank will be an added buying factor in the American bill market.

The Bank is coming to cover Europe more completely, and shows signs of enlarging its membership outside. Four more European nations have since joined, subscribing to $20 millions of the Bank's stock and adding the directors of their central banks to the directorate of the World Bank. All of the important countries in Europe are now included.

New Force for Gold

South American and African countries also are seeking membership in the Bank, according to reports, but have not been admitted, as yet, because the applicants are not completely on the gold standard—which points to the Bank as a new source of pressure to get nations back on the gold standard. Among those now off are Canada, Argentina, and Spain.

With deposits of $21 millions, the World Bank is now in a position to act as a clearing house for the central banks, thus preventing wasteful shipments of gold. Probably such activity will first cover Europe and later be extended to the rest of the world. Development is likely to be gradual.

The ease with which the Bank has handled the proceeds of the reparation loans has excited favorable comment. There was an excellent chance for a loan of this size to disturb foreign exchanges. Such disturbance was almost completely avoided by the skilful planning and handling of the loan.

700 Furniture Makers Report Good Sales at Chicago Mart

FURNITURE retailers "bought merchandise" at the main summer market in Chicago which closed a two weeks' session July 16. Most of the 700 manufacturers who exhibited reported sales larger than they anticipated. They were smiling.

"Whatever furniture retailers sell in the next six months they have to buy—which is a healthy condition in any industry," commented V. L. Alward, president of the Furniture Mart.

Show Sobering Effect

Style trends give evidence of the sobering effect of a depression in which furniture has been hardest hit of major industries—400 of 3,200 manufacturers have gone out of business in six months already this year; 200 of the remaining 2800 will probably succumb, too.

Frills, gaudiness, bizarre "moderne" effects are noticeably absent. Instead, the plainer styles and woods are selling. Maple, mahogany, and oak; Colonial, Queen Anne, Chippendale, Sheraton are in favor.

Staple items sold best in Chicago. Beds, chairs, dining room, and living room suites were taken by retailers in better volume than lamps, occasional furniture, and the miscellaneous decorative pieces that have been featured so heavily in recent cut-price sales.

Progress toward price stabilization, sought by leaders of the furniture industry as the one most needed cure for present troubles, is in evidence. One reason is that the bottom has been reached. In 1929 the furniture manufacturing industry as a whole reported net profits of less than 1% on capital invested, with over half of all concerns losing money, states Dr. A. P. Haake, executive head of National Association of Furniture Manufacturers.

There was little cut-price selling at the Chicago market, even though group buying was much in evidence.

Retail prices have been, and still are, disorganized and inconsistent. Overemphasis on price in advertising is one cause of present troubles of furniture retailing. Emphasis is shifting now to style, quality, comfort, service.

Comprehensive plans for better merchandising of furniture are in operation. Manufacturers show more inclination to help dealers. Most of the industry has felt that the manufacturer's job was simply to stock the dealer up, and then let him worry about reselling it. Meanwhile, automobiles, radios, and household appliances, better merchandised, have forged ahead, pocketing money that once went for furniture.

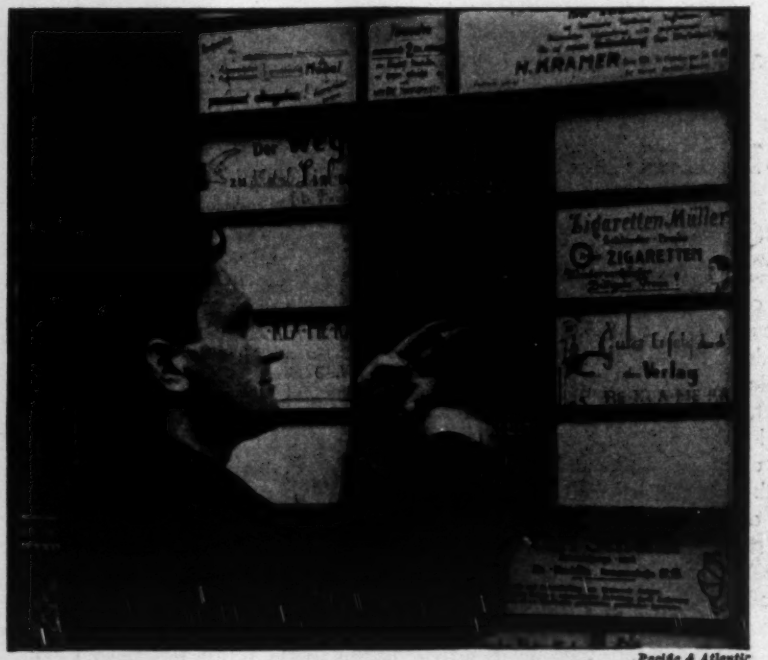
The 4-year, $4,000,000 cooperative advertising campaign, launched in 1929, is well under way. The keynote is style, modernization.

The first "National Home Furnishings Style Show" will be held Sept. 26–Oct. 4. Cities already organized number over 150. Retail stores are to be show places.

International News

OF MERCHANT STRAIN

Rodman Wanamaker, 2nd, and his bride sail on the Olympic for their honeymoon



Pacific & Atlantic

HAVE A LIGHT?

Novel advertising stunt in Berlin—a lighter, affixed at convenient height to the front of a building

About $100 Millions Off

The furniture industry proper runs normally somewhat over $800 millions a year, this year about $100 millions off. If mattresses, springs, and office furniture and fixtures are included, the industry normally is a billion and a quarter one.

There are eight principal wholesale furniture markets, Chicago much the largest. The New York market preceded the Chicago event. Grand Rapids was simultaneous. High Point, N. C., and Tacoma, Wash., open July 21; San Francisco, July 28; Minneapolis-St. Paul, August 4. Jamestown, N. Y., market is May and November.

Substantial increase in furniture manufacture in the Carolina-Virginia area is noted. A fourth of all furniture, mainly popular priced, is made there.

Too Many and Too Big Mills Keep Paper Industry Poor

Not Villainy But Overproduction Its Curse, Says Trade Commission; Price Trend Uncertain

THE Federal Trade Commission's investigation of the newsprint paper industry discloses no villainy contributing to its rather harassed condition. Its woes are caused chiefly by the common malady—surplus productive capacity.

Low prices, surplus capacity, low operating ratios got their start in 1913 when the elimination of all tariff duties on newsprint gave an incentive to the construction of mills in Canada. The war period retarded this development but in 1919-1920 rapidly rising prices —the spot market reaching $270 per ton in June 1920—started an orgy of newsprint mill construction.

1923 Starts Recession

In 1923, the effects became noticeable; 1930 is the first year since 1923 during which newsprint prices have not been less than in the preceding year.

For a few years, this price decline did not affect profits unfavorably. Increasing demand maintained excellent operating ratios. During 1925 prices averaged $74 per ton, output was 91% of capacity; in 1926, the price was $69, the operating ratio 96%. In 1927 supply began catching up with demand; prices, $65; operating ratio, 84%. The Hearst organization re-entered the market in 1928 for its huge requirements and this stirred up trouble which has not yet entirely subsided. Reports vary as to what actually took place but a generally accepted version is as follows:

A Canadian group offered to supply Hearst at a substantial rebate from their quoted price. Other customers learned of this; protested so violently that the negotiations were stopped, the group disbanded, and the Hearst requirements once more placed in the market. This time International Paper Co. obtained the 5-year contract for a part of the requirements with a bid of $50. In accordance with its usual policy, International announced this price would apply to all its customers.

Canadian mills were alarmed at this move. They arranged a conference with Hearst interests, International and the prime ministers of Ontario and Quebec. At these conferences, according to the Federal Trade Commission, "The International Paper Co. was induced to agree to an increase in price of newspaper to the Hearst papers by threats of disciplinary action on the part of the prime ministers." This new price—$55—applied to the new Hearst-International contract; to unfilled Hearst contracts with other mills; and became and still is the standard newsprint price for the industry.

Through the Newsprint Institute, Canadian mills established a quota system and attempted to boost prices by artificial restriction of production. After operating on this basis for several months, Canadian mill owners became convinced that profitable operation was impossible and started agitation for an increase to $60 per ton. Considerable political influence was enlisted behind this move and strenuous efforts were made to make International put its Canadian mills on the quota basis.

Restriction Folds Up

International opposed. It wished to close some of its high-cost mills in the States and route orders to low-cost Canadian mills. Since rigid imposition of quotas would simply transfer part of International's business from Canada to the United States and thus decrease Canadian employment, it continues to operate at near capacity.

Three Canadian companies then decided to take the bull by the horns. Abitibi Power & Paper Co., Ltd., Price Brothers & Co., Ltd., and St. Maurice Valley Paper Co., Ltd., a subsidiary of Canada Power & Paper Corp., announced their prices for newsprint after January 1, 1930 would be $60. Nobody followed the lead. It fizzled.

The battle still rages. The Newsprint Institute of Canada—organized, according to the Federal Trade Commission, at the instance of the prime ministers of Ontario and Quebec to restrict production, to allocate orders, and to fix prices—is on one side and International Paper Co. on the other.

The future trend of newsprint prices is uncertain. Some believe it will be downward; some expect a rise. Bulls say that many mills are operating without profits and must go under or be merged with stronger concerns, thus consolidating the power of the industry to demand higher prices. Bears point to the current downward trend of commodity prices, say research, just getting well under way in the industry, may bring important cost reductions.

TWO ACRES OF PAPER A MINUTE

World's largest newsprint mill is the Three Rivers, Quebec, plant of Canadian International Paper Co. Its daily output would make a strip 8 feet wide from Atlantic to Pacific

Can Manufacturing Is Good Business in 1930

WHILE industries running behind last year's figures have been chanting the Business Blues at the top of their voices forgetful of the fact that 1929 was a freak year, those doing as well as they were 12 months ago are making little noise. In this happy but taciturn condition is can manufacturing.

Dominant concerns are the American Can Co. and the Continental Can Co. Both have been doing at least as well as last year. Continental's totals are considerably above the '29 figures but this is due partly to the taking over of 6 companies and to the building of new plants in Los Angeles and Oakland, Calif. American Can also has extended plant capacity. American's 1929 net income was $22,724,800; Continental's $8,967,700.

$610-Million Business

Since Francois Appert won Napoleon's 12,000-franc prize for inventing a method of preserving rations for troops, the canning industry has grown until it amounts, in the United States alone, to some $610 millions annually. Expansion here has been vastly greater than in other countries, largely because of automatic can-making machines developed by the industry.

Foods take the bulk of the tin plate output. Of the Continental Can's business tins for food are 70% of the total. Food cans are a somewhat smaller proportion of the larger American Can's sales.

Factors that favor can makers: Food must be preserved and cans are the most suitable protection in most cases; canning science is being continually improved and new varieties are being discovered that lend themselves to canning; promotion of tin containers for products other than foods. (Reduction on January 1 of tin plate prices from $5.35 to $5.25 per base box of 100 lbs., has had little effect on total business since price shifts are passed on to the buyer.)

A Diverse Market

Can makers are in the fortunate condition of supplying a widely diverse market. A multitude of non-food products such as gasoline, oils, paints, chemicals, travel in tin garments. Total demand follows a fairly even line.

New uses help. One company has developed a market for canned small potatoes—a size which is not readily marketable. Another concern discovered new possibilities in cranberries. Ripe cranberries, formerly wasted because the product for fresh shipment had to be packed before complete maturity, are now picked at the point of perfection, cooked, canned, advertised, and sold at a premium. Among other products now demanding cans are kraut, candies, grape fruit juice, peanuts, shelled English walnuts, pop corn shelled but unexploded.

Can manufacturers face the coming year with every expectation that it will be as good as last. They consider 1929 normal. A good crop and pack are in prospect; canners have been wiped clean of stocks; consumption rose from 9 cans per person in 1903 to 25 cans per person in 1925 and is still going up at a faster rate than the population increase. Hopes are tinctured by the general indigo outlook now so popular and by the recognition that there is still time for the weather to do almost anything to the crops.

Can manufacturers are confident that this year will see as good or a better pack than last. They answer pessimistic prophecies of overproduction by pointing out the enormous consumption of the country. The three great items of the industry are tomatoes, corn, and peas. The United States annually consumes more than 16,000,000 cases of each of these commodities. With a pack in the offing that ought not to be far above consumption, the can-makers see no reason for gloom.

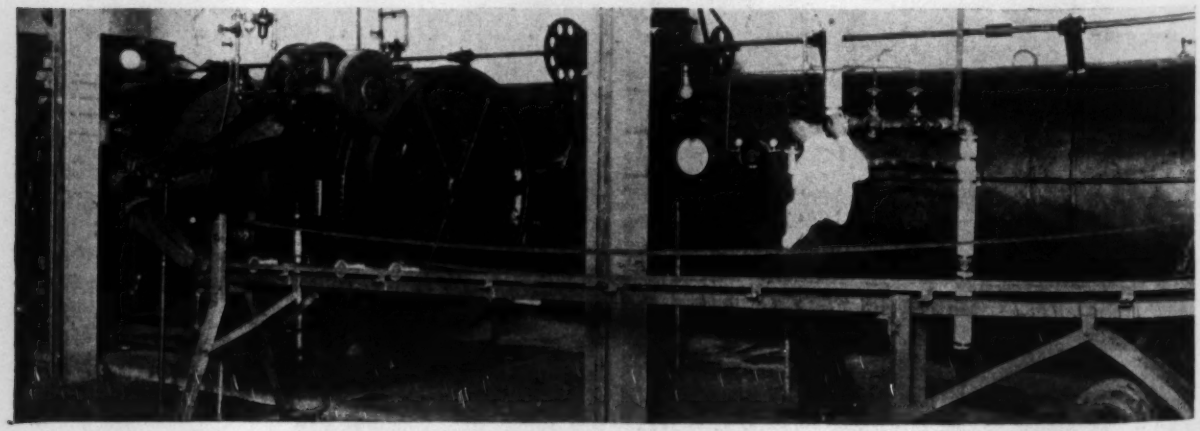
Final control is in the hands of the weather, which is incurably variable.

Canners are not as cheerful as the can manufacturers. Last year was good. The canners cashed in before the slump hit other business. With very small stocks on their hands, they entered 1930 in good financial condition. The usual small canner is first cousin to the farmer. He is apt to over-produce when the general need is reduction; one good year incites him to over-zeal the year following. There is some fear that larger acreage and the psychological uplift of 1929 will produce too large a pack for the 1931 market.

The Factors Involved

Government estimates of corn on hand with canners, chain stores, and wholesale houses January 1 this year were 11,298,000 cases. Corn canners have on hand only about 600,000 cases. But acreage this year is 7% greater and crop condition 4% better than last year. Present outlook is for a 20,000,000-case pack this year, 17,487,000 last.

Peas in stock January 1 this year totaled 10,000,000 cases. Acreage is



NOT MUCH LIKE MOTHER'S KITCHEN

Last word in modern canning machinery; a continuous process pressure cooker and cooler

Pacific & Atlantic

THEY PLAN EXPANSION

Flat rolled steel manufacturers talk plans for three days at White Sulphur Springs, W. Va. Frank R. Frost, president, Superior Steel Corp., Pittsburgh; E. P. Thomas, vice president, U. S. Steel, New York; Joseph Andrews, president, Newport Rolling Mills, Cincinnati; Henry A. Roamer, president, Continental Steel Corp., Canton, O.—reading from left to right

12% above last year. Pack now being harvested is in about the same condition as last year. Stock now in hands of canners runs about 700,000 cases. Pack last year was 18,530,000 cases. Estimate for this year 9% higher.

Tomatoes in stock January 1 amounted to 10,322,000 cases. Acreage this year is up 25%. Condition of crop is 6% better. In hands of canners there are about 1,000,000 cases. Pack last year was 14,145,000 cases.

Car-Loading Figures Show Finished Goods Are Moving

CAR loading figures are usually referred to glibly in current discussion of the business situation as an unfavorable indication, with the recurrent phrase "car loadings this week were again lowest since 1924.

It is unquestionably true, as quoted, that car loadings have fallen below previous years with the business recession of the past eight months. *The Business Week's* index of car loadings of miscellaneous freight and merchandise in less-than-car-load lots has run about 10% below normal when allowance is made for seasonal conditions and the year-to-year growth that has been usual in freight traffic. This year-to-year growth has been less in recent years than it was before the war, as everybody knows, because road transportation by motor trucks has cut into railroad traffic.

Nevertheless, closely examined, the record of railroad freight movement for the first half of this year is not so bad as it is commonly said to be, as an indicator of business conditions. Total car loadings for the first half of 1930 were 9.4% below those for the first half of 1929—a period of unusually high trade activity; but only 5.1% below those of 1928.

There were wide differences in the way the slump affected different types of freight traffic. The movement of ore showed the largest decrease (25.6%) from 1929, but even ore showed loadings 4.6% above 1928. Car loadings of forest products, reflecting the low level of residential building, were about 18% below 1929 and 1928.

It is striking, however, that miscellaneous freight was only 9.7% below 1929 and 3.7% below 1928, while the decrease in merchandise in less-than-car load lot freight was only 4.9% as compared with 1929 and 4.4% as against 1928. The last two groups together, which account for about 60% of the total car loadings and more accurately reflect the movement of finished products into consumers' hands, decreased 7.7% from 1929 and about 4% from 1928.

Distribution Less Affected

These figures indicate fairly clearly that the railroad movement of bulk commodities and raw materials has declined more than that of finished merchandise, and reinforces the view that distribution has been less affected by business recession than production in the basic industries. On individual roads, as for example the Illinois Central, merchandise and less-than-car-load lot freight has been somewhat higher in volume than last year, while total loadings were below the preceding year.

These comparisons should be borne in mind in interpreting the forecast by the Regional Shippers Advisory Board of freight car requirements for the third quarter of this year. This forecast estimated car loadings for the present quarter at 6.5% below the corresponding quarter last year. If this forecast is fairly accurate, as those of the past have been, it indicates a probable improvement in freight traffic during the next quarter as compared with the first half of this year.

A slight increase of nearly 1% in grain movement is foreseen and cement is also expected to be higher than last year by 2.3%. Fresh fruits other than citrus, potatoes, fresh vegetables, poultry and dairy products, petroleum and petroleum products, sugar, syrup and molasses, are also expected to show increases ranging from 1.7% to 10.5%.

The decrease of 3% expected in livestock movement during this quarter is about half the decrease shown in the first six months of this year as compared with 1929. Smaller decreases are expected also in coal and coke, lumber and forest products and ore.

The Taplins Aren't Pennsy Men Or Mellon Men—Just Taplin Men

Long a Hard Scotch Enigma to the Financial World, It's Finally Clear They're on Their Own

BIG business runs to brothers in the lower Lakes region. There are the Fisher brothers, there were Dodge brothers and White brothers, there are Van Sweringen brothers, and there are the Taplin brothers. In Cleveland the elder Van Sweringen makes the plans and the younger goes out and gets the money. The elder Taplin brings suit against the Van Sweringens and the younger Taplin argues the case.

The Van Sweringens were in real estate and the Taplins in coal, and then both went into railroads—unfortunately into some of the same railroads. Where the Van Sweringens first thought of transportation in terms of real estate, the Taplins thought of it in terms of coal and other heavies. Frank E. Taplin designed a coal and ore system based on Pittsburgh, with lines running southeast and northwest, partly rail, partly lake and river barge. The Van Sweringens got into the same territory when they had to meet the recurring question of north-and-south lines. Already looking out of two ports, New York and Newport News, they couldn't see Taplin's Lakes-to-Baltimore idea, and so they collided.

Wabash Heir Apparent

Controversies with the Van Sweringens over the Wheeling & Lake Erie railroad's entrance into the Cleveland Union Terminal and over the ownership of the Wheeling & Lake Erie itself brought Frank E. Taplin national notice. After subsiding for a time, he now emerges as the heir apparent of the Wabash fifth system, if, when and as issued. The Van Sweringens are interveners in opposition before the Interstate Commerce Commission.

The rugged, sandy-haired Taplin would sooner go to court than to a prize fight. He is his own Tex Rickard. One of his first acts as chairman of a railroad was to sign a check for payment of a sizeable judgment for discrimination in assignment of coal cars. The successful litigant was a coal company of which Taplin was president. He had brought the suit before he had any idea of buying the railroad.

Taplin picked up the short Pittsburgh & West Virginia railroad in 1923 as a means of moving coal faster, but it is likely that he had an eye to its value in the consolidation movement. The P. & W. Va. was built by George Gould in 1906 as the Wabash-Pittsburgh Terminal and it helped to bust him. When Taplin got it the line owned several bituminous coal properties. He paid from $25 up to $60 a share, it is said, and the segregation of the mines into the Pittsburgh Terminal Coal Co. reduced the cost of the railroad to around $17 to $20 a share. Then the stock market put the value of the road up to $175 a share for a time, but it has been under 100 lately. Its great future value is its access to Pittsburgh and its station on the golden triangle. At present, it is a coal line with more rolling stock than any road of its size in America.

Taplin got into the railroad business from coal, and into coal from oil. His father was vice-president of the Standard Oil Co. of Ohio, and the son had gone to work, first in the offices, then in the plant. Things went too easily for him, and he concluded he had better get into a business where he would be sure he was on his own. Disdaining pull, he became salesman for a coal company. A year or two later, in 1900, his employers joined the "railroad coal trust," the Pittsburgh Coal Co., and Taplin went along. In 1903, the president of the company resigned and started his own business, Youghiogheny & Ohio. Taplin followed, stayed with Y. & O. until he became sales manager, then left to form the Cleveland & Western, with mines on the Ohio side of the Ohio river. The money he made during the war and just afterward gave him his big start.

Taplin Coal Holdings

Taplin accretions in the coal industry have been the Powhatan, the Logan County, the Standard Island Creek, the Pittsburgh Terminal and, lastly, the North American Coal Corp. which he started in 1926 as holding and sales company for the others. He is interested, besides, in lake transport.

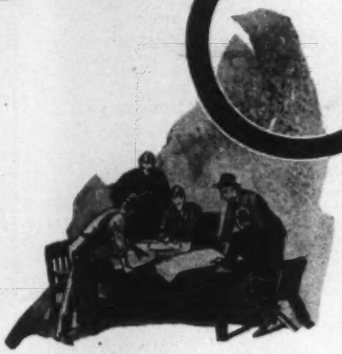
In that hard Scottish way of his,

Wide World

WORLD'S LARGEST SIGNAL TOWER

In the new Cleveland Union Terminal, it controls 576 switches in 8,000 feet of track. An illuminated chart shows where every train is at each moment. A. J. Hammond, Chicago, vice president American Society of Civil Engineers; Frank E. Winsor, Boston engineer; R. E. Dougherty, White Plains, N. Y., vice president in charge of developments of the N. Y. Central, inspect the elaborate layout

Call it CONSPIRACY *if you will . . . .*



Masses of blueprints and production data are spread out. A group of engineers put heads together. *Another Mathews Conveyer System is being designed.*

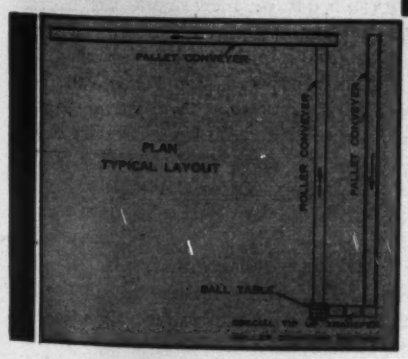
Planning . . . plotting . . . call it conspiracy if you will . . . for, in the design and construction of Mathews Conveyer Systems, every effort is directed to the creation of equipment that will *stay sold* . . . that will long continue to be a vital part of the production layouts into which it is introduced. "Made to sell" tactics will never have a place in Mathews scheme of things.

Take the bearings used in Mathews Gravity Roller Conveyer . . . with oversize hardened steel balls where standard sizes might prove suitable . . . with specially treated steel cone, rings and jacket where ordinary pressed parts might serve the purpose . . . with unusual dust and grit protection features that might be omitted if first-day operation was all that mattered. In other Mathews equipment . . . in belt, chain, pallet conveyers and sheet metal chutes . . . extra qualities of similar nature can be pointed out.

But, after all, it is the skilled selection and application of various types of conveyer units to form efficient systems that is of major importance . . . and so Mathews engineering staff is made up of men who not only know conveyers, but are also capable of analyzing production in any industry and specifying conveyer systems that will provide greater speed, economy and safety in handling.

Visit some of these plants where Mathews Conveyer Systems are at work. Write for your copy of the new Mathews catalog which describes and illustrates scores of interesting layouts. *See for yourself what a truly great advance has been made in handling methods.*

In the General Electric Company plant at Erie, Pa., the production of electric refrigerators is made more speedy and economical by use of a Mathews Conveyer System.



MATHEWS
CONVEYER SYSTEMS

Mathews Conveyer Company . . 160 Tenth Street . . Ellwood City, Pa.

Birmingham . . Boston . . Buffalo . . Charlotte . . Chicago . . Cleveland . . Dallas Denver . . Detroit . . Houston . . Los Angeles . . Milwaukee . . Minneapolis . . New Orleans . . New York . . Philadelphia . . Pittsburgh . . St. Louis . . Salt Lake City San Francisco . . Seattle . . Mathews Conveyer Company, Limited, Port Hope, Ontario

Taplin rigorously observed his wage agreement with the United Mine Workers after all the other operators in the Pittsburgh and Ohio fields had scrapped it, and then when the contract expired in 1927 and the men struck he de-unionized the mines and got a blanket injunction that was an example to the whole region. When other Ohio operators were going bankrupt in competition with West Virginia coal, Taplin ran his river mines at a profit—or, at least, he ran them. He did it by mechanizing the mines completely and concentrating all the production at a single large steel tipple. At one opening he was taking out more coal than any mine east of Illinois. The production of his North American company 3 years ago led those of the Pittsburgh, Consolidation and Island Creek companies, which are usually the largest. Before that, Taplin was the heaviest individual shipper up the lakes. His North American recently took over the operation of the West Virginia mines of the Brotherhood of Locomotive Engineers, the pits that brought the late Warren S. Stone into violent dispute with John L. Lewis.

On both the railroad and the mining sides, Taplin is a factor in the perennial conflict between Pennsylvania and southern West Virginia over freight rates for lake coal. Taplin leans toward a rate basis that will restore more of the business to Pittsburgh, the Van Sweringens toward a structure that will maintain the recently prosperous territory of the Chesapeake & Ohio, though their present ownership of the Wheeling & Lake Erie majority would put them on both sides.

Confusing Entanglements

Taplin's Pittsburgh & West Virginia railroad stock is now in the vaults of the Pennroad Corp., but he told the Interstate Commerce Commission recently that he and his brother, Charles Ferrand Taplin, the lawyer, still control it. On the P. & W. Va. board with him are the president of a steel company which the Van Sweringens are in, and two bankers with whom the Van Sweringens have contact, so confusing are the relationships in the intricate Cleveland-Pittsburgh region. F. W. Paine of Paine, Weber & Co. is in with Taplin in his Boston coal terminal. Ernest T. Weir, chairman of the new National Steel Co., and whose Pittsburgh connections are important, recently joined the P. & W. Va. board. Taplin has long been known to "play with" the Mellons on occasion, but he is not a Mellon man, any more than is C. S. Eaton of Cleveland, a friend of both.

He Knows His Pittsburgh

Taplin knows the bristling country around Pittsburgh as well as he does its rugged personalities, and the integration of its coal and iron industries with transportation in new ways has been his study since the war. The P. & W. Va. will shortly complete the 38-mile cut-off around Pittsburgh and connect with the Western Maryland at Connellsville, making possible, any time the new through rates are published, the new Lakes-to-Baltimore route of which he has dreamed for a dozen years.

Not far past 50, Taplin rides horseback at the Aintree Club near Cleveland and takes an occasional vacation up the lakes. He works practically all the time, however, Saturday afternoons included, either in Cleveland, Pittsburgh or New York, takes papers home or to his hotel in the evening, comes back with a full-scale program in the morning. Opponents call him a plunger, but friends say he is a far-seeing Scotsman with a cautious streak that saves him from the fate of a speculator. There is no doubt that, on occasion, he thinks and acts quickly, often on impulse, and then waits and thinks it over.

Baltimore has looked to Taplin with hopes that he would be able to keep the Western Maryland independent and build it into a Lake Erie system, but Baltimore has never been able to size him up completely. Cleveland thought he was a Pennsylvania railroad man and Pittsburgh thought he was a Van Sweringen man. The simple answer was that he was a Taplin man.

FIRST EXTRA-FARE BUS

With "de luxe appointments" and superior driving, this "last word in bus luxury" operates between New York and Buffalo with an extra charge of 50 cents per 100 miles—an idea borrowed from the railroads in an attempt to win a new class of patrons for rubber-tired transportation.

I.C.C. Blocks "Home-door" Railroad Bus Service

"HOME-DOOR delivery" of railroad passengers by motor bus was pushed further into the future this week by decision of the Interstate Commerce Commission cancelling tariffs filed by the Pennsylvania Railroad for such delivery of passengers traveling in parties of 25 or more from railroad stations to points in Greater New York and Newark, N. J.

The tariff was cancelled on technical grounds, the commission holding that it provided a new fare to points now served via connecting railroads (New York Central and New York, New Haven & Hartford) without cancelling the previous rate.

Technical reasons for dismissal were fitting since the application was filed largely as a technical measure to test the standing of the "trainside" motor bus service operated by the Baltimore & Ohio which has never been specifically authorized by the commission (*The Business Week*, May 21, 1930). The B. & O. service has been so attractive that the railroad's passenger business in and out of New York has increased materially.

Other rail carriers entering New York opposed the Pennsylvania's request, declaring they would be compelled to furnish similar service at great cost to them and without any compensating income. A joint protest was filed by New York Central, Pittsburgh & Lake Erie, Delaware, Lackawanna & Western, and Erie railroads.

The whole matter of "home-door" delivery by bus will be studied in the forthcoming I.C.C. investigation.

Barber Asphalt Suit Starts Long-Expected War on Shell Oil

Philadelphians Bare Sad Tale of How They Fared as Deterding's Partners in Venezuela

FOR long have oil men the world around forecast that we were going to have, sometime pretty soon, an international industrial war which would make predecessors look infantile. Had not the Royal Dutch Shell got to a position of unbearable power?

But who would fire the first shot? The various Standard outfits were forever talking about it, confidentially. In the vast archives of the State Department filing case piled upon filing case, testified with a million ageing documents to the secret and impotent diplomacy which for well nigh 30 years had recorded the howls of Yankee Oildom against the Dutchman. But this was all talk, more futile than talk, mere text. Never, never had anybody done anything to Sir Henri Deterding.

Feet Off Desks!

Last week, on the stuffiest and dullest of its days, yawning oil men throughout Wall Street suddenly took their feet off their desks. Why? The inordinately long document which they had somehow simultaneously received was the dullest looking piece of print that ever lawyer concocted. It was only a copy of a letter from Philadelphia signed by nine gentlemen altogether without fame. The sums involved were apparently not large as oil sums go.

But it was war. It was the first gun. Somebody had dared resort to force.

The General Asphalt Co., of all people, had sued Sir Henri in a London court, of all places. And what did it not say? If there was a single traditional allegation against him which was not hidden away between the clumsy sentences of this tedious document—well, it must have been an oversight that it was left out. One thousand fascinated oil men telephoned to each other gleefully, and the rest of the afternoon seemed cooler.

This is the sad financial story which the enraged Philadelphia directors, their endless patience ended, retailed to their stockholders, distributed to the trade, respectfully submitted to bewigged sages of one of His Majesty's Courts of Justice in London.

Many years ago, when this century was ever so young and the Caribbean Sea ever so unimportant, American asphalt scouts developed on the torrid British isle of Trinidad one of the most remarkable geological freak spots anywhere on the surface of the earth. It was a lake of pitch, vast, forbidding, smelly, of priceless worth. Its exhaustless mineral gum was and still is smeared upon highways, plastered upon roofs, coked into the paper base of floor-coverings.

By Ill Luck, Oil!

There might well be more lakes, perhaps larger ones, on the mainland. Restless scouts cut their way through the jungles of Venezuela. But as luck would have it they found no lakes of asphalt. And as ill luck would have it they found oil, which, next to the poisoned arrows of the aborigines, is the most dangerous thing men come across in wild, hot, ungoverned countries.

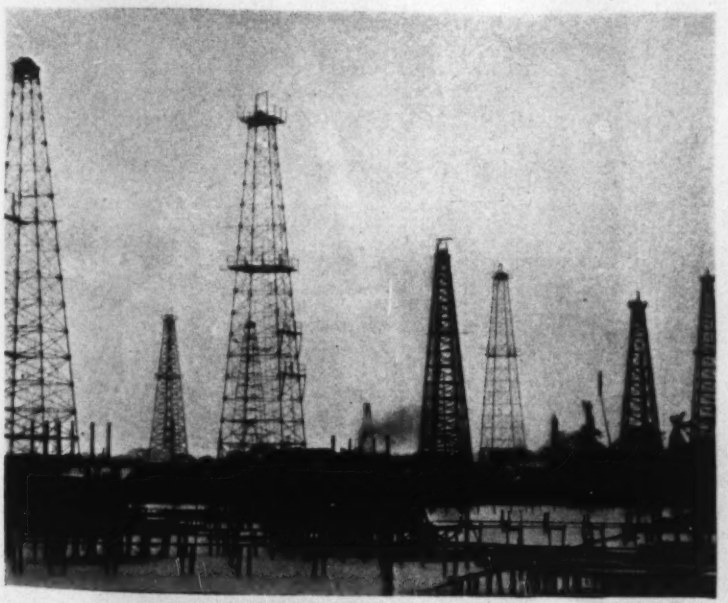
It was for this reason, perhaps, that General Asphalt decided to have nothing to do with it. They were in the asphalt business—prosaic, legitimate trade. Better leave oil to those buccaneering gentry of the drills. Still, the discoveries were important. Why not take on a partner, an experienced hard-boiled partner?

Accordingly was the partnership with the Royal Dutch Shell Group solemnly undertaken. Asphalt had two vast concessions, the Valladares and the Vigas. One was owned, one was under option. Dutch Shell had even at that early date a certain amount of working capital and admittedly unlimited experience. So Shell got three-quarters and Asphalt one-quarter, which was fair enough. The Colon Development Company, Ltd., was organized especially "to own and operate" the promising Vigas option. The original Vigas people, Venezuelans, got one-fourth of the stock of the company for their concession, relapsed into a deep seventeen-year slumber as a solidly entrenched minority interest, and woke up last week to find themselves the cause or pretext of an international oil war.

Sombre Allegations

The rest of the adventure may best be told in the sombre allegations upon which British judges will exercise their high sagacity:

1. The war made financing difficult. Shell said Asphalt must help out. Asphalt denied the obligation, but helped nevertheless, yielding the first

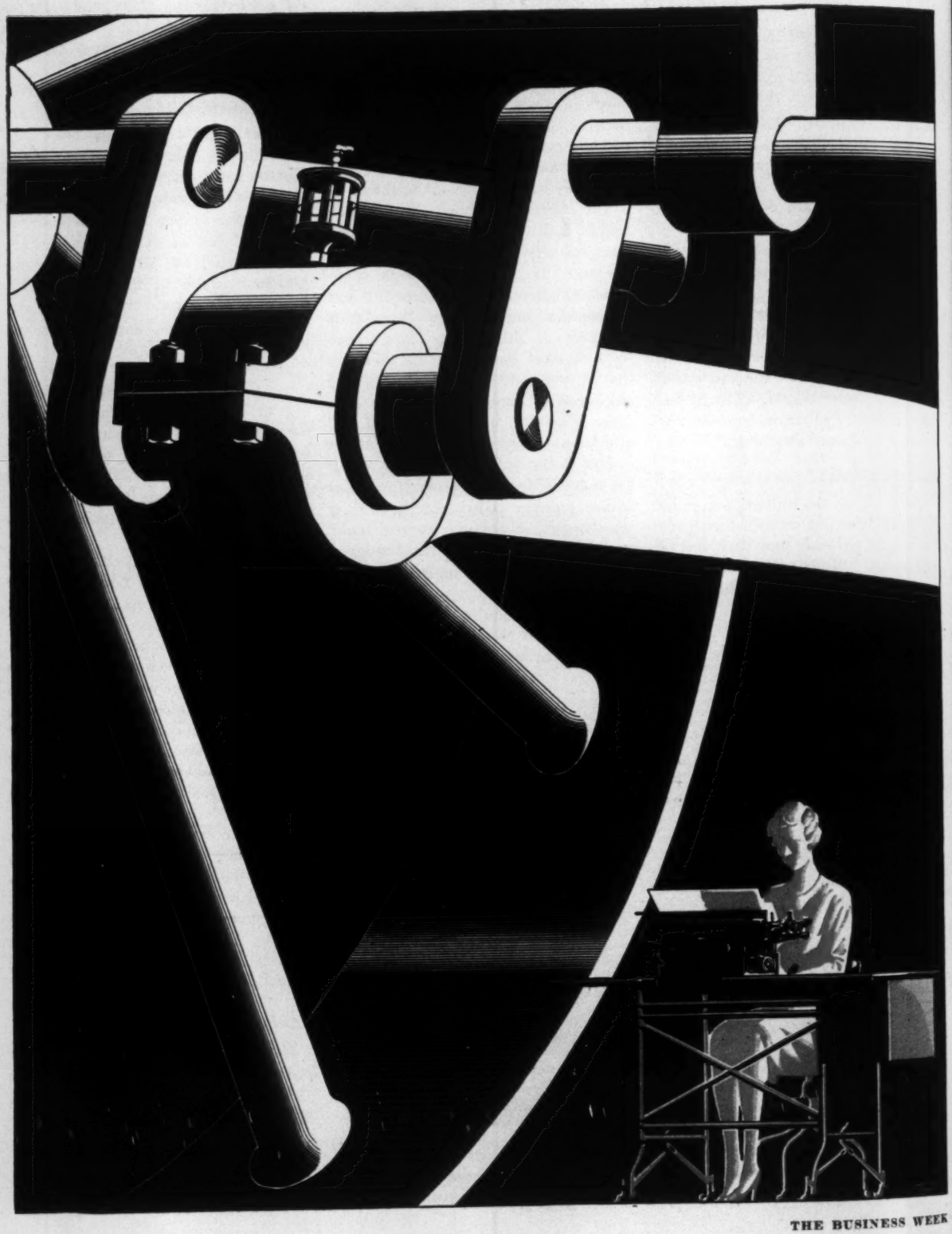


Ewing Galloway

VENEZUELA OIL FIELDS

Derricks plant their feet in Lake Maracaibo, sturdily unconcerned over the fact that they are focus of a fight that may make petroleum history

Why Fit Your Business



to an Accounting Machine

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fitted to your Business ?

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ACCOUNTING MACHINES

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trick. Whereupon Shell went ahead to arrange financing "in such a manner as to postpone indefinitely any participation by Asphalt in the profits of the enterprise." Example: a Holland loan cost 9% when English Treasury regulations forbade financing. But when sterling went to $3.25, Shell called the Dutch loan, taking it up on the basis of repayment in pounds. Again, later, when sterling approached par, Shell called the sterling loan, refunding it in terms of a dollar loan. The upshot of these devices was to create for Shell a large paper profit and to place a correspondingly large claim against the property ahead of any equity belonging to Asphalt.

From Partner to Landlord

2. In 1922 came threats, menaces, lively exchanges of cables. A new agreement fixed Asphalt's position as no longer a partner but henceforward a landlord. It would have no longer any financial obligations. It would simply receive a royalty. The royalty would be in oil, real oil; no more net profits.

3. Development continued. Shell met its obligations on the Valladares concession. But on the Vigas concession's production Shell paid no royalties, rendered no accounting. And Vigas had become "one of the most important oil producing properties in Venezuela."

4. Shell, it is alleged, and it appears, had negotiated with the little minority and had organized a new corporation, the Colon Oil Corp., to which it conveyed its interest in the original Colon Development Corp., Ltd., in return for stock. The minority interest followed suit. Correspondence grew envenomed.

5. Colon Oil Corp. sold $10,000,000 convertible debentures through a New York banking syndicate, with very stuck-up names atop the circular. "There are no subsidiary or partnership equities in the concession," stated the imposing circular. The bankers offered the debenture 6's at 95 and the public bought them as excellent Shell paper, with 550,000 real shares of Colon Oil Corp. lying in the Treasury for later conversion, 55 shares of common stock for every $1,000 bond. The debentures went up to 120, then down to 55. They hover now around 60.

6. Then arrived on the scene a forgotten and ambiguous little "Clause No. 10." Shell asserted that it had sold out to "parties not controlled by them." Asphalt replies that six out of ten directors of the newly formed company are Shell nominees. The propositions in settlement put forward by Shell were refused by Asphalt, which formally charges Shell with "evasion."

The issue will be watched by all the elements which are just now trying to organize themselves in order the better to combat Royal Dutch here in this country and all over the world. The Standard of New York–Vacuum and the Standard of New Jersey–Standard of California merger protagonists will be deeply interested.

Test cases have a curious way of being trivial. No man may say that there is more behind this asphalt suit than appears in its own terms. Mergers may await its solution, a new alignment of the balance of power on Lake Maracaibo and its hinterland. Or it may, on the other hand, merely define a new principle and a new morality in oil company tricks outside the United States. It is equally important either way.

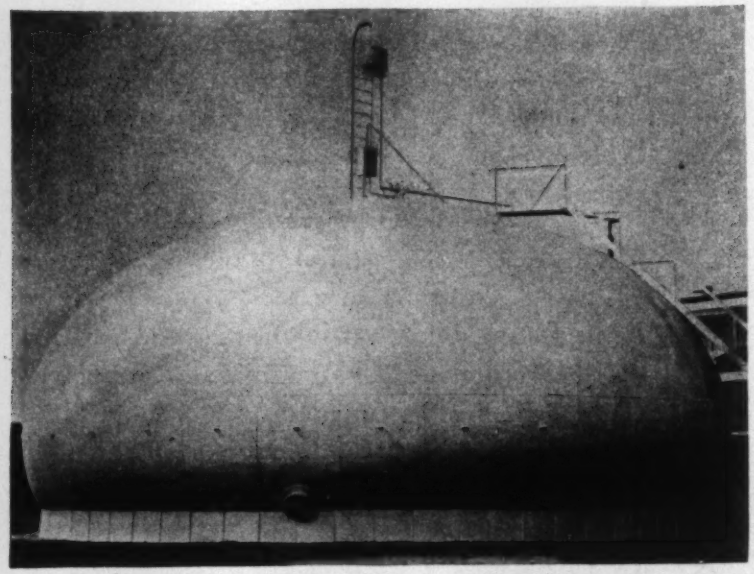
End of Coast Gasoline War Puts Retail Price Back to 20 Cents

WITH announcement by Standard Oil Co. of California, Shell Oil Co., Richfield Oil Co., and Union Oil Co. that they had restored service station gasoline to its former level of 20 cents, the gasoline price war which has waged intermittently in Southern California since the first of the year and recently spread throughout the entire Pacific Coast area, bringing retail prices down to 7½ cents a gallon, appears to have been ended—temporarily, at least.

After taking the lead in driving the price back to 20c., Standard announced that it would no longer sell its products to dealers who cut below "fair levels," would henceforth confine its manufacture of gasoline to the quantity required by actual demand.

Price-cutting is no new thing on the Coast, but seldom has the fight run this far into the summer, season of maximum sales and profits. But excessive stocks of gasoline in storage, due to overproduction of crude oil, and an overabundance of retail service stations pushed competition to ruinous lengths this year.

Both the major oil companies and the independents disclaim responsibility. After several months of cutting, the price was stabilized for a time at 19½ cents, including tax, but various independents soon began to sell under that price, and the major companies promptly followed. The independents

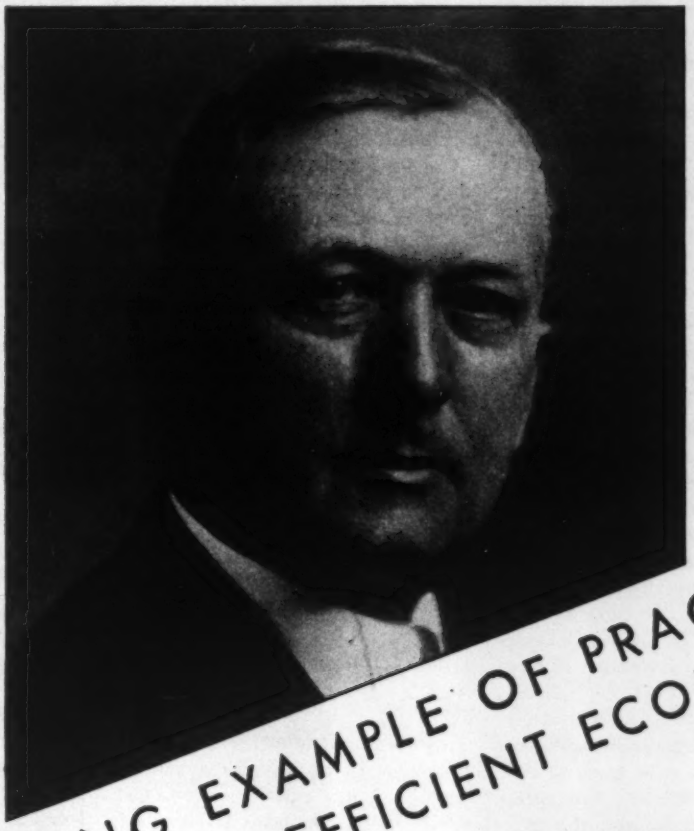


GARGANTUAN MUSHROOM

They call it a Hortonspheroid. It is designed by the Chicago Bridge & Iron Works, and it is intended to be the most economical and most efficient gasoline container yet devised. The shape is simply that which a flexible skin would assume if filled with liquid under slight pressure

E·M·WASMUTH

PRESIDENT
WASMUTH-ENDICOTT CO.



says

"IT'S A SHINING EXAMPLE OF PRACTICAL EFFICIENT ECONOMY"

"The most practical form of economy I know anything about," says Mr. Wasmuth, "gets a grip on Old Man Overhead and makes him pay you a profit. That's exactly what the Dictaphone system does.

"It does more than merely cut down overhead. That's only the beginning. From the new, lower-costing system one gets more return—in work done, in jobs completed, in smooth-running office routine, and in actual time and labor saved—than was the case before the Dictaphone came on the scene. I can't imagine anybody thinking of the Dictaphone as an expense, when it's such a shining example of practical, efficient economy."

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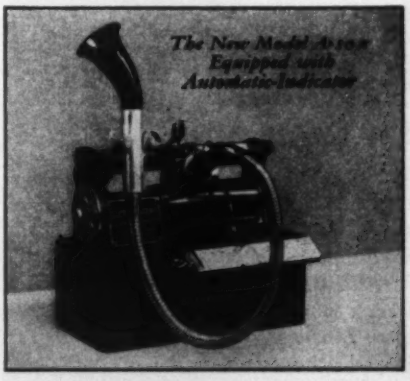

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claim that the large corporations are behind the war; point out that the independents have been cutting heavily into their sales. In California, total retail sales of gasoline were 8 million gallons higher in 1929 than in 1928, but sales of the major companies dropped 7 million gallons.

Storage stocks of gasoline on the Coast are 4,000,000 barrels higher than last year; totalled 18,500,000 barrels in June; have been increasing at the rate of about 500,000 barrels a month. Records of monthly sales show that low prices fail to increase consumption.

Standard's Novel Move

Various earlier efforts to end the war failed. Standard of California instituted a new departure in gasoline marketing by posting an offered price for the fuel delivered at Los Angeles Harbor, but little gasoline was offered. When the retail price in Los Angeles touched 12 cents a gallon, independents, led by the Macmillan Petroleum Corp., raised their price to 19½ cents, called on the public to pay that price to "save the industry," claimed that the independents were being forced out of business by losses of from 4 to 6 cents a gallon on all gasoline sold, forecast dire results to Coast prosperity if the cutting continued. Appeals were made to civic organizations and to the Governor of California to intercede, and the independents threatened to demand an investigation by the U. S. Department of Justice. The strong major companies took the position that the independents brought their present plight upon themselves.

Meanwhile refiners were losing approximately $200,000 daily, and several small refineries were forced to close.

Three Groups Compete For Gas In Alberta

THREE companies, all owned in the United States, are competing for franchises to pipe natural gas 450 miles from the Turner valley and other fields in Alberta, where it is now going to waste, to the cities of Regina, Saskatoon, Moosejaw and Swift Current, all in Saskatchewan.

The competitors are: Dominion Gas & Electric Co., a holding company recently organized by American Commonwealth Power Corp. and American Utilities & General Corp.; Northern Utilities Co., of which C. O. Moore of New York is president; and Eagle Butte Co., controlled by the C. E. Roth interests of Kansas.

Dominion Gas & Electric claims to have a contract with the Royalite Co., subsidiary of the Imperial Oil Co. of Canada and major leaseholder and producer in the Turner valley field, securing to it all the gas the latter produces. Enormous supplies of gas are available in Turner valley.

Gas is being offered to Regina at from 80 to 60 cents for domestic consumption and as low as 20 cents for industrial purposes.

The outlay for pipe line and other installation would be between $10 and $15 million.

Natural Gas Groups Make Surprise Move

THE natural gas field was surprised to learn this week that the American Utilities & General Corp. and the Moody-Seagraves interests have entered the Eastern area. They have been active chiefly in the Stevens County (Kansas) fields since their participation in the formation of the United Gas Corp. (*The Business Week*, Mar. 26, 1930).

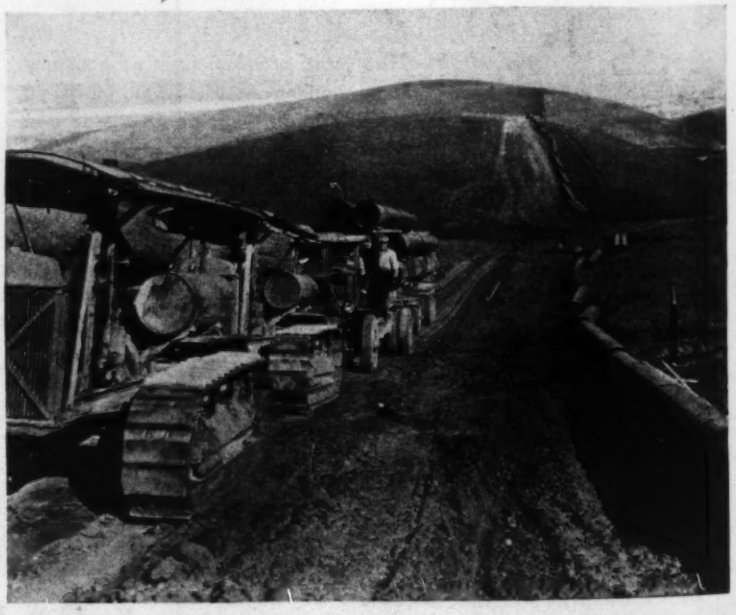
The two companies have acquired 1 million acres of producing lands in Kentucky (gas reserves estimated as 480 billion cubic feet) in the last 6 months and intend to sell to utilities operating to the north and northeast of the Kentucky fields. Already in this territory are the Insull system, the Byllesby group, and Columbia Gas & Electric.

Hydrogenation Patents Shared by 17 Companies

CARRYING out plans announced last March Standard I. G. Co.—wholly owned subsidiary of Standard Oil Co. of New Jersey and I. G. Farbenindustrie of Germany—has formed the Hydro Patent Co., a holding company to control the hydrogenation patents formerly controlled by Standard I. G. Associated with Standard of New Jersey in Hydro Patents are 16 other oil companies representing, in all, about 80% of the country's refining capacity. Holdings in the Patent Co. are in proportion to each company's crude running capacities, Standard of Jersey holding no more shares than its capacity warrants.

The Hydro Patent Co. will pay to Standard and to I. G. a fixed and running royalty; it is expected to offer use of patents to other refiners besides those already joined in the combine.

While gasoline may be produced by hydrogenation in this country, informed persons believe its chief use for the present, at least, will be in the manufacture of lubricating oils for which many crudes now available are not ideal.



MORE GAS FOR SAN FRANCISCO

Trucks and tractors hauling pipe for a section of the new natural gas trunk line from the Kettleman Hills oil fields—capacity, 138 million cubic feet daily

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It means that the design is correct in principle — employing a minimum amount of light weight lumber and an accurate method of fast easy assembly. It means that adequate strength and rigidity for protection have been provided; that the danger of damage claims has been reduced to a minimum; that the crate is neat in appearance; and — *of outstanding importance* — the cost, both in labor and shipping weights, has been brought to the lowest point consistent with full protection.

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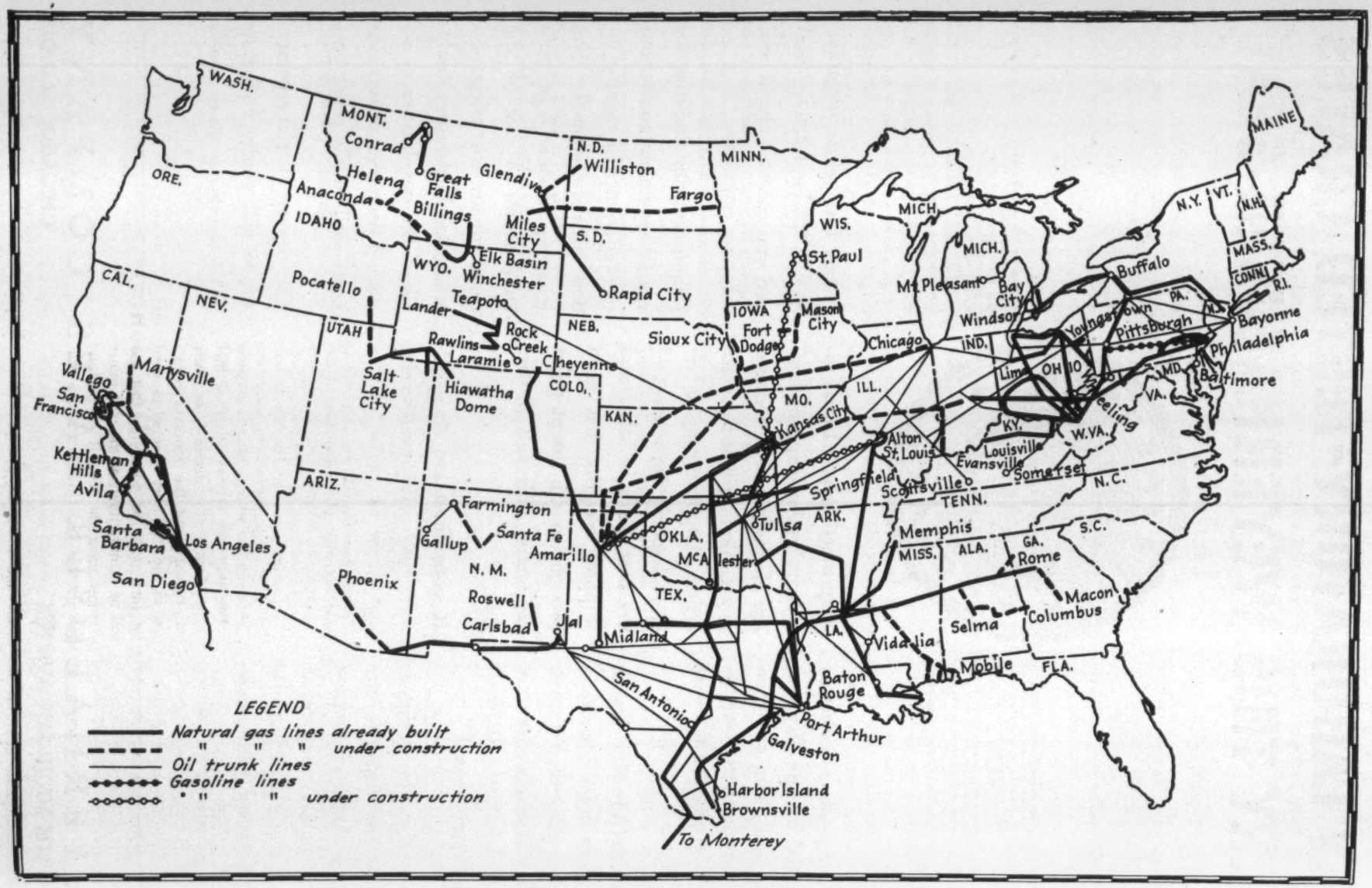


AMERICA'S UNDERGROUND STEEL ARTERIES FOR PIPED FUELS

Through the 162,335-mile system of main trunk and connecting lines go natural gas, oil and gasoline to a majority of the country's industrial centers, and the network is being constantly extended. Main lines only are shown here; short lines and feeders have been omitted for purposes of clarification

Network of Fuel Pipe Lines Now Covers 162,335 Miles

Vast Expansion Keeps Pipe Manufacturers Busy, Worries the Railroads and the Coal Industry

NEWS of the heaviest buying movement in the history of the steel pipe industry, with more than 500,000 tons booked in the last few weeks, and producers of lapwelded, seamless, and electric-welded pipe committed practically through 1930, again calls attention to the vast system of underground lines for the transportation of piped fuel (at present limited to natural gas, oil, and gasoline) with which the country is now being equipped.

Principal points connected (or about to be) by pipe lines are shown in the accompanying map. The intricate network of short connecting arteries in Oklahoma, Texas, Indiana, and western Pennsylvania, has been omitted for purposes of clarification.

Mainstay of Steel

Pipe manufacture is at present the mainstay of the steel industry. Mills are operating 24 hours a day to supply the demand. The Republic Steel Corp. and Youngstown Sheet & Tube Co. have no free capacity before Nov. 1. National Tube Co., subsidiary of the U. S. Steel Corp., is booked solid for the rest of 1930 at its McKeesport, Pa., and Lorain, Ohio, plants. The A. O. Smith Corp., Jones & Laughlin Steel Corp., and smaller producers report orders that will keep them busy well into the fall.

Of the 162,335 miles of pipe lines now in existence, 60,000 miles are used for piping natural gas, 102,000 miles for oil and 335 miles for gasoline. The map shows construction of new lines already under way. At least 9,000 miles of trunk line will be built this year. Fuel engineers see in this enormous network more than a transportation system for the three fuels now being piped through it. They see a permanent system for the transportation of all types of piped fuel, many of which, they point out, have yet to be developed. They even see the day when coal will be transformed into gas at the mines and piped through the underground system to consuming points. One large eastern utility has gone so far as to experiment with transporting coal by pipe line, first reducing it to powder, mixing it with water, then piping it to destination, where it is dried and again becomes powdered coal.

Naturally, the increase in the use and availability of piped fuel will affect the railroads and the coal industry; to what extent is at present undetermined. Some idea of possible effects can be gained from the following facts:

Communities in 36 of the 48 states will be served with natural gas before the end of 1931. The only states in which it may not be available by that time are North and South Carolina, Florida, Nevada, Washington, Oregon, and the New England states. There is a possibility, however, that extensions of present trunk lines may be made into Massachusetts, Connecticut, Rhode Island, North and South Carolina, Oregon, and Washington.

The natural gas which will flow daily into Chicago when the pipe line to that city from the Texas fields is completed will be equal in heat content to 12,000 tons of coal (300 railroad carloads). The comparison with coal quantities is rough, of course, inasmuch as it assumes that the gas will be burned with the same efficiency as coal; but it furnishes some idea of the extent to which piped fuel is cutting into the market for coal.

Taking Coal's Job

Natural gas used in 1928 (latest figures available) for industrial purposes equalled 15 million tons of coal; for house heating, 30 million. Combined, the two uses would account for 45 million tons. Total consumption of coal yearly is approximately 570 million tons.

Railroad officials are concerned chiefly with two aspects of piped fuel development: (1) decrease in their coal tonnage and the resultant reduction in the coal they themselves need for fuel; (2) the possibility that gas will be manufactured at the coal mines to supplement the natural gas supply, thus further reducing their coal tonnage.

Railroad and coal men point out, as some cause for optimism, that natural gas will be used in hundreds of communities only to supplement the manufactured product, and manufactured gas plants will, for the present at least, operate at about their present rate; that new business will be acquired to take care of the supply added by introduction of the natural; that the present demand for coal will continue for the immediate future together with tonnage for the rail carriers. They are silent, however, when questioned as to the ultimate effects of piped fuel.

Public Utilities Watch

Public utility interests, too, are watching the development of the pipeline system, not exactly with apprehension, but with nervous interest. Some of them, apparently sensing possibilities, have themselves entered the natural gas field (Columbia Gas & Electric, Insull interests, Pacific Gas & Electric, Electric Bond & Share, to name a few of the more important ones). Indications are, also, that a larger amount of gas will be used for generation of electric power.

An analysis by *Electrical World* shows that, during the first 5 months this year, 47,682 million cubic feet of natural gas were used to generate electric power—a 20% increase over the same months last year. Of the natural gas consumed in this way, Texas uses 38%; California, 22%; Louisiana 15%; Kansas, 9%.

Carol Switches Roumania's Telephones to the I. T. & T.

CONTROL of the telephone system in Roumania, rumored in the last 6 months to have been assigned first to American and later to German-Swedish interests, has definitely been awarded to the International Telephone & Telegraph Co. Exact financial terms are not revealed but it is rumored in communications circles that I. T. & T. has promised Roumania to invest $60 millions in the system in the next 5 years and that it will pay the government $48 millions for the existing government-owned telephone systems.

Principal competitive bidders were the German Siemens & Halske interests and the Swedish Ericcson Company. Bucharest observers declare these interests were favored by the former Bratianu government, and that the concession to the Americans came as a direct result of the return of Carol, said to favor especially the entry of American capital into Roumania.

Business Men Will Discover New Tariff Law Cuts Red Tape

Unreasonable, Wooden System Revised in Many Important Particulars to Facilitate Administration

WHATEVER the flaws in the rate schedules of the new tariff law, there is no question that the administrative and special provisions have been much improved.

The Bureau of Customs and the Customs Court were operating under one of the most unreasonable and wooden systems in the world. The new law, framed in large part according to suggestions of the Treasury Department, cuts through many a tangle of red tape. It makes things easier for importer, shipper, carrier, and collector.

One of the most significant changes, however, was opposed by the Treasury. It removes the right of the Treasury Department to embargo goods when a foreign exporter refuses American examiners access to record books. Although a deterrent against fraud, this caused no end of friction in foreign countries and resulted in France, Argentina, and, in effect, Italy, debarring our people from running through records, either with regard to reappraisement or an equalization of costs investigation under the flexible clause.

Affidavits Restricted

To safeguard American interests, the 1930 tariff has the proviso that in a review of appraiser's decision, foreign affidavits shall not be admissible unless books are open to inspection.

Another major change relieves exporting makers of products containing sugar or non-ferrous metals from the requirement that the identical material imported must be used in the export consignment. Formerly it was necessary to work the goods in special batches, subject to rigid inspection, in order to be entitled to the drawback. Only large firms could take the trouble. Although the new law may make fraudulent practices difficult to check, it will save candy makers and producers of lead products, such as paint, no end of trouble. The time limit on bonded imports may be extended by six months under special rulings of the Secretary of Treasury.

Warehousing rules in general are made simpler and cessation of government custody definitely fixed. Duties on withdrawal from warehouse are based on "condition, weight, and quality" of goods, not merely "condition." One year is set as the time limit for unclaimed merchandise. Allowance for loss in government custody is retransferred from the Customs Court to the Secretary of Treasury, thus speeding payments.

The section banning convict-made goods has been extended to cover articles "mined and produced" as well as those "manufactured." This is aimed particularly at Moroccan phosphate which is mined by Arabs in penal servitude. Products of forced or indentured workers also may be embargoed after Jan. 1, 1932. This provision covers involuntary labor other than convict. Some plantation labor where the men are kept on the job because they have run up a big bill at the commissary might come under this heading. Soviet coal is a case now under investigation by the Tariff Commission. However, the statute partly nullifies itself by exempting goods in which there is a domestic deficiency of production.

Wide World

ANDREW W. MELLON

Newest picture of the Secretary of the Treasury

Marketing Rules Liberal

Provisions for the marking of imported goods as to country of origin are liberalized and the Secretary of Treasury given discriminatory powers. This does away with legalistic interpretations whereby the courts ruled that such things as ping pong balls, separate sheets of paper (including cigarette papers), guitar strings, druggists' corks, and skeletons had to be marked, whether or not on the free list.

Insular possessions can now receive goods without payment of a double duty. Formerly shipments through the United States to the Virgin Islands, Guam, or American Samoa had to pay both the American and the insular duties. Now the former are remitted. As an aid to Porto Rican coffee growers, coffee entering that island, including shipments from the United States, may be subject to a duty to be set by the Porto Rican legislature.

Better Mail Provisions

Better postal relations are foreseen under the new law. Provision is made for reciprocal agreements on advertising matter. The United States lets in small circulars free while some other countries take a bulk shipment and levy en masse. Now it may be possible to secure free entry for our circulars.

The organic act of the Customs Bureau is extended into the 1930 law and the service is put on a better footing in a number of ways. The men get better travel and subsistence authorization. Considerable book-keeping is eliminated. Administration of oaths is simplified. Collectors are released from personal liability in some cases and thus escape embarrassing litigation. Customs men are to be given overtime pay so that goods can be cleared on Sundays and holidays. These and other little changes will promote efficiency.

Seized goods valued under $1,000

What of your competitive advantage?

Most successes are not sudden. But part of their fascination is the *effect* of suddenness. It is more fun to regard success as something that happened to some one overnight. We dislike to lose our faith in miracles.

So the new sales-manager is hired with high hope. His opening quotation is often 50 points above his predecessor—which is likely to be too much.

Great are the expectations of the newly chosen advertising agency. It is received with all good wishes—wishes that now and again are too good to come true.

In spite of our buoyant native temperament, however, the solid successes when examined are conspicuous for their normals rather than abnormals. There runs through them a strain of plain thought which gives them a settled air. They are more like a sound winter apple than an orchid.

✦ ✦ ✦

We take exuberant pride in the business growth of the nation. We say little about the significant *ripening* that must be going on also. Many business institutions now reflect it. Behind the orderliness of their expansion is ordered thinking. Joined with their dollar surplus is the confidence surplus. In the place of customers they possess *selling relationships*, nurtured loyalties that bind business friends together.

THE
BUSINESS
WEEK

These matured relationships are the headquarters of stability. As they sell so do they buy—on the basis of a *buying relationship*. Price? Yes. But also integrity. Advantageous terms? Yes. But also a depository for their faith.

True, there exists a large amount of switching and haphazard business. The statesmanship of selling appraises its worth and questions how much of a selling investment it deserves—as against the most valuable objectives of developing those *buying relationships* which promise continuance and a reasonable permanence.

✦ ✦ ✦

The statesmanship of selling sees America as *grown-up*. It concedes to our outstanding business institutions a *maturity* of conception and procedure. For the ingenuities of getting an order this statesmanship substitutes the art of cultivation. The selling claim steps down to make way for the skillful dissemination of substantiated fact.

Wherever statesmanship of selling springs up there we find advertising respected and trusted to do substantial labors. We see the printed word delegated to negotiate friendships and to the building of a distinct competitive advantage. We see advertising fostered as the most constant of all credentials.

can be posted and sold quickly to avoid spoilage or depreciation such as occurred under the slow processes formerly applicable. If sale is unlawful under the statutes of the state or district where the goods are seized, transfer can be made to another district so they can be sold.

Paid informers who receive 25% of the net gains resulting from the words they whisper in customs ears up to $50,000 will get their rewards quicker now that the payment is out of general rather than special appropriations. This plan has been highly successful in catching smugglers, particularly of diamonds. Some people make their entire living this way.

Shipping Men Interested

Shipping interests are affected in a number of ways. Laws governing supplies of vessels are liberalized. In case of falsity or lack of manifest, the owner of a car or vessel is jointly liable with the driver or master except as regards smoking opium on shipboard obviously unknown to the officers.

Regulations against unauthorized unlading have been extended to include the passengers of a vehicle or ship as well as the cargo. This applies particularly to cars crossing the Canadian border discharging passengers before reporting to the Customs House.

The smut section permits the Secretary of Treasury to admit recognized classics or scientific books for non-commercial purposes. The district court at the port of entry decides on seized goods. The person affected may have a jury sit on the case but the Customs Court does not review.

One correction which saves much trouble is the admissibility of duplicate bills of lading or carriers' certificates. Formerly if the original bill was lost the importer was in a bad way.

Red Tape Cut

Invoices are freed from some of the red tape which surrounded them and some discretionary exceptions to rules are authorized. In the case of a certified invoice, signing is now required by someone having full knowledge of the transaction and not merely a broker.

The time in which an importer can appeal for reappraisment of his goods has been extended from 10 to 30 days. Reasons for decisions handed down by the Customs Court must be published so that importers can act accordingly and not send in useless requests.

Payment Made Easier

Payment of duties is made easier by the acceptance of uncertified checks, U. S. notes, or National Bank notes. Duties can be readily remitted in case of a manifest clerical error. Provisions for reliquidation of duties downward are liberalized, and no upward revision is permitted after release of goods except in case of fraud, thus saving the importer from uncertainty. Protest review time is extended from 60 to 90 days to give collectors time to report. Under the old law payment of duty was required at the time of protest; now it need not be paid till the case goes to Customs Court.

Shyster custom house brokers can no longer be barnacles on import trade. New registry requirements are similar to those for practice before the Treasury Department.

Valuation Basis Same

This gives a sketchy idea of how the administrative and special features of the tariff have been improved and tells by inference something of the system to which they apply. One thing which remains unchanged through all the turmoil of tariff making is the basis of valuation from which duties are computed on items under ad valorem or percentage rates.

Thus duties are made up on foreign values and not on a domestic basis as advocated by many American interests in the tariff hearings. Coal tar dyes and intermediates are the only commodities now on U. S. value although others could be so entered as an alternate if foreign value were unobtainable.

International News

THEY WANT HIGH TARIFF

Glove workers arrive at Hyde Park, London, part of a crowd of 100,000 that protested against withdrawal of what the British call "Safeguarding Duties"

Canadian Elections May Raise New Barriers Against Our Trade

Great Britain, Too, Will Face Stiffer Bargaining If Conservative Predictions of Victory Come True

THE general election campaign in Canada, which opened at the beginning of June, is drawing to a conclusion. Polling takes place July 28.

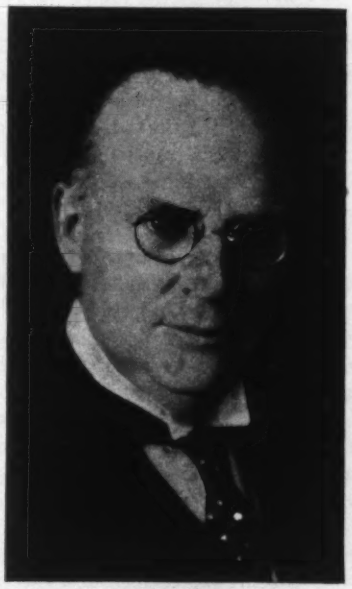
If, as now appears not unlikely, the Liberal government of Mackenzie King should be defeated, the United States shortly thereafter will experience a much more severe reaction to the provisions of the Hawley-Smoot tariff bill aimed at Canada than the Canadian tariff legislation of May 1 was calculated to produce. R. B. Bennett, leader of the Conservative party, has given the Canadian public a definite and unqualified undertaking that, should he be at the head of a new administration, he will enact at the first session of Parliament following the election fiscal legislation designed to ensure the production in Canada of a large part of the $900 millions of goods now imported annually from the United States. Two-thirds of this volume of imports is in manufactured goods.

The West Is Weakening

With the Dominion experiencing a business depression not unlike that obtaining in the United States, and with unemployment widespread, Mr. Bennett's policy is making a noticeable appeal to the Canadian public. Even in the agricultural West, anti-protectionist sentiment seems to be weakening under the stress of hard times. Since the low-tariff policy pursued hitherto by the present administration in deference to that western sentiment failed to avert the hardships now prevailing, the idea is developing that it can do no harm to give real protection a trial.

The tariff legislation of the Dunning budget—including the higher tariffs on steel and iron products imported from the United States, the enlargements in the British preference, and the countervailing duties—has been in force for 2½ months, but it is impossible as yet to gauge the effect it has had or is likely to have on Canadian trade and industry.

The enlargements in the British preference were designed by the King government to offset resentment in the low-tariff West against the raising of the general tariff on steel and steel products. The government, no doubt, assumed also that these concessions to British goods would effect a sympathetic opening of the British market to increased purchases from Canada.



THE HON. R. B. BENNETT
Canadian Conservative leader. Our tariff may make him Prime Minister

C. A. Dunning, Minister of Finance and principal author of the budget, has declared that his legislation was primarily designed to promote the marketing of Canadian wheat in Great Britain.

But there is nothing tangible by which to justify this assumption of benefits to Canada. Great Britain does not do business on sentiment, even with her blood relations, as has been strikingly demonstrated of late by her heavy purchases of Argentine wheat while Canadian storage elevators were overflowing. The tariff preference extensions have not affected the British demand for Canadian wheat since the opening of navigation on the St. Lawrence.

Mr. Bennett has taken issue with this policy of preference concessions. He holds that, in any such measures adopted by Canada for promoting Empire trade, there should be a *quid pro quo*.

Trade returns do not yet indicate the influence on Canadian trade of the countervailing duties of the Dunning budget. At the outset, these duties were well received as an answer to the higher United States tariff on Canadian products. In the absence, however, of actual demonstrations that they are to prove an effective answer, some distrust of them is developing with the complaint that, on the commodities to which they apply, they subject the tariff of Canada to the control of every foreign country with which Canada trades in these commodities.

Effect on Empire Conference

The result of the election will have an important effect on Canada's participation at the Empire Economic Conference which is to open in London in October. Mr. King, and his associates of the Ottawa government have deprecated the idea that Canada should seek to bargain for trade favors from Britain and the other Dominions. It is to be assumed that, if they are to represent Canada at the conference, they will pursue the course of goodwill gestures inaugurated by the recent tariff preference enlargements. Should Mr. Bennett head the Canadian delegation there will probably be less dependence on sentiment and more on hard-headed bargaining.

One result of a Conservative victory would be the immediate calling of a special session of Parliament to take emergency action for the relief of unemployment. As one means of providing work, the Conservative leader has committed himself, in the event of his becoming Prime Minister, to the construction of an all-Canadian transcontinental highway, which would pass above Lake Superior. Highway connection from east of the northern Great Lakes to the prairie provinces is now through the United States. Mr. Bennett is also committed to immediate action looking to the commencement of the St. Lawrence-Great Lakes deep waterway. At the national convention of his party at Winnipeg in 1927 at which he was chosen leader, a resolution was adopted declaring for an all-Canadian deep waterway, which some authorities hold to be impracticable. Mr. Bennett has not indicated whether in his present proposal he adheres to this resolution or would be prepared to enter into negotiations with the United States.

Swift Survey of Business Abroad

EUROPE

By Special Cable to The Business Week

THE generally unsatisfactory European international situation has again caused a distinct feeling of uneasiness in business circles. The Little Entente is opposed to the threatened restoration of the monarchy in Hungary, following Carol's coup d'etat. The situation in the Balkans gives little confidence to the outside world that the threat of a political broil in these countries may not be translated into an actual fact before the end of the year. Mussolini's continued bellicose utterances are no longer considered merely a gesture for home consumption. Observers hint that *Il Duce* desires the formation of a new combination of European powers, over which the French are much perturbed. It is rumored that Carol's restoration in Roumania was due to a French diplomatic countermove for a setup of the prewar bulwark in the Balkans. The situation undoubtedly deserves careful watching during the coming months.

Trade, as usual in this season, is dull and there is no evidence of general improvement on any markets. Unemployment continues to increase. The International Bank has assumed trusteeship for the Austrian government loan issued, in part, this week in 8 countries.

Russian orders continue to be a bone of contention in several countries, notably Great Britain, Germany, Italy, and Poland. Unofficial reports on the harvest in Russia turned a bit sour this week, with rumors that rainy weather and heavy dews are interfering with work in the south while general growing conditions in the north are in some regions slightly below average.

By Special Cable to The Business Week

Great Britain—Business in general shows no improvement, though a slight increase in the demand for cotton goods created a bit of optimism this week. The French gold drain continues on both sterling and dollar balances with the expectation that France may eventually drain gold from New York.

The political situation dominates business. The government's narrow escape on the technical clause in the Finance Bill makes a general election a nearer possibility and therefore has set up a degree of uncertainty in business circles. Stock markets responded to the reaffirmation of the bankers' resolution favoring tariffs, but were marked down again on the Labor victory in the by-election in Norfolk.

June trade shows decreases: imports —8.8%; exports—14.1%; re-exports —18.1%. Total exports were down 14.7% and the excess of imports over exports increased 2.3% compared with June, 1929. Heaviest declines were registered in cotton, coal, coke, pottery, iron and steel, and electric machinery.

The metal market is disturbed by the policy of withholding stocks which has been adopted by Copper Exporters, Inc., but there are no pronounced reactions. Unemployment increased 75,000 in June. The London subway issue of $25 millions in debentures was oversubscribed in the first half hour of trading, and was a reassurance that public money is awaiting good issues.

By Special Cable to The Business Week

Germany—The country's financial policy was made definite when the Cabinet enacted by decree its financial program which taxes incomes more heavily and increases drastically the bachelors' and head taxes. Two important financial issues remain: the deficit of communal finances now aggregating $125 millions; the deficit for the federal railways, totaling $100 millions. To cover the latter, the government has approved a slight increase in passenger rates, effective September 1, expected to yield $12 millions before the end of the year. This will bring the anticipated total yield of special revenues, when recent increases in express, freight, and baggage rates are included, to $27 millions for the current year. This is considered sufficient to meet the most urgent needs. Though the plans to aid business by speeding up the awards on emergency contracts for railway, post office, house, and road construction are sanctioned, and the wisdom of the $240 million expenditure is accepted, there is skepticism regarding the possibilities of financing such orders under present conditions of public finance.

Business sentiment generally is disappointed in the price reductions which resulted from recent agreements and lowered raw materials prices. Steel, in particular, has not been in greater demand under the reduced prices and confidence in the plan is at low ebb. Collapse of price cutting on the Continental Steel Cartel has been accepted with considerable satisfaction, considering that fixed prices lately have degenerated into a farce, with underquoting by unscrupulous members becoming general and thus penalizing honest trade and causing disgust and resentment among buyers.

International News

THE FIRST RUSSIAN ALUMINUM

Recently discovered bauxite reserves, estimated at 2 million tons, near Leningrad bring aluminum to the Five-Year Plan. One plant near Dniepropetrovsk will produce 15,000 tons annually, another near Leningrad 5,000 tons

The industrial thermometer shows new lows. Most indicators mark a decline in industrial activity of 20% to 30% in comparison with the same period last year. Pig iron production in June was 34% below the equivalent figure last year. Henschel, Germany's leading locomotive builders, declared a loss of $480 thousand last year with total orders only one-third those for 1913. The four principal locomotive builders — Henschel, Krupp, Borsig, Hannomag—have notified the government that they will have to dismiss 6,000 men during the second half of 1930 if no fresh orders are forthcoming. However, there is some prospect for temporary improvement through a banking consortium headed by Danatbank, and backed by a government guarantee agreeing to finance orders for

the Turkish railways up to $10 millions for rolling stock. These will be executed mainly by Henschel and Krupp.

Following the announcement of the Opel Company, controlled by General Motors, the German Ford Company reported increases in sales for the first half year of 55% above last year despite a decline in total sales of automobiles in Germany. Expansion of the Ford organization is marked by the number of Ford dealers, which has increased from 120 to 275 within the last 9 months.

By Special Cable to The Business Week

France—General business activity is fair, and shows slight improvement over last week. The coal market is calm; iron and steel production is higher, with increased export, but lower domestic consumption, of steel; the machinery industry is running at maximum capacity due to new replacement orders; electrical equipment is dull. Construction activity is setting a new record, with the city of Paris planning the immediate construction of 20,000 workmen's houses. The depression in the cotton industry continues with low prices and slack demand; wool is active. There is no improvement in the automobile industry, either French or American. The agricultural outlook is unsatisfactory due to continuing unfavorable weather.

There is no decided improvement in the stock market, but the money market is easy as usual. The city of Paris $75 millions, 4% conversion loan was issued successfully July 4. The proceeds will go principally for the redemption of previous loans bearing interest at 6% to 8%. Security issues offered in June totaled $104 millions compared with $48 millions in May.

The general index of wholesale prices at the end of June was 554, compared with 553 in May. The retail index figures for the same months were 593 and 590.

The peace conference of German and American talkie manufacturers ended successfully. Though the terms on which agreement was reached have been kept secret, it is believed that the agreement includes a free exchange of patents and ends royalty disputes by apportionment of markets to respective interests.

By Special Cable to The Business Week

Belgium—The stock market continues weak and the public uninterested in long term investment. Money is cheap with call money at 1.375%.

Coal demand is weak and stocks on hand are approaching 2 million tons. Industrial grades have been reduced from 7 to 15 francs a ton but the demand is still insufficient to absorb the surplus. For household grades the export demand is good and the condition is more favorable. The metallurgical situation is confused and transactions have been stopped due to the recent decision to abandon negotiations for a sales comptoir on bars and sheets. Window glass companies are operating at one-half capacity and stocks are extremely heavy. Plate glass is operating at 30% of capacity but the financial situation is strong. The cement industry is only slightly affected by depression. Textiles are weak with unemployment growing. Ghent cotton mills have reduced output but as yet have not cut their personnel. Other textile centers have dismissed from 10% to 40% of their personnel.

By Special Cable to The Business Week

Italy—American automobile agents, except Ford, are presenting a collective protest to the government stressing the losses through ruin of their business and greater unemployment through the closing of offices, shops, and service stations. Ford-Isotta agreement has been reached for the production of airplane engines to be followed by a similar arrangement for automobile manufacture. Apparently Fiat is included and will furnish Ford with light, Isotta with heavy, engines.

A national commercial federation is studying the situation created by the American tariff. Olive oil exporters have resolved to organize propaganda to adopt a uniform sales policy and advertise collectively in the United States.

LATIN AMERICA

Business failed to show any revival this week and interest turned to the successful consolidation of all of the vast nitrate interests of Chile, including the large holdings of Guggenheim Brothers of New York, into a single $375 million company (*The Business Week*, April 30). The Chilean government, under the new plan, will relinquish export duties after 3 years and derive its revenue from 50% holdings in the new combine and from a 6% income tax. The United States nitrogen industry is not inclined to attach great weight to the assumption that, with this united front, the Chilean natural nitrate industry will much longer control world nitrogen output and prices, because of the rapidly expanding synthetic industry.

Trade reports this week revealed large declines in United States exports to Argentina and to Mexico. Exports to the Argentine during the first five months of the year were 33% below the figures for the same period last year.

International News

ENCOURAGING THE TOURISTS

France is in earnest about encouraging tourist travel; makes it a Cabinet Minister's job. Gaston Gerard, left, and Mayor Leger of Vichy ignore the town's most famous product when the new Ministre de Tourisme pays an official call

What the Figures Show

THE business situation in the first two weeks of July continued to show the marked irregularity to be expected in mid-summer during a year of business recession preceding a turn for the better. Activity in the basic industries, excepting building construction, is at a low level emphasized by shut-downs for inventory-taking and vacations. Following the mid-year increase in money turnover, general trade also has slackened somewhat. Little improvement may be expected during the rest of the month. Though commodity prices continue to decline, the rate of falling off is somewhat smaller. In some markets evidences of increased steadiness appear, and prices are stronger in certain foreign countries. A falling off in the rate of credit expansion is an unsatisfactory feature of the situation.

THE BUSINESS WEEK INDEX OF GENERAL ACTIVITY	*Latest Week*	*Preceding Week*	*Year Ago*
	*97.2	‡100.3	111.1
Production			
Steel Mill Operation (% capacity)	57	§62	95
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$22,892	$23,273	$22,881
Bituminous Coal (daily average, 1,000 tons)	*1,306	‡1,383	1,503
Petroleum (daily average, 1,000 bbls.)	2,531	2,582	2,892
Total Electric Power (millions kw.-hr.)	*1,795	*1,670	1,840
Trade			
Car Loadings (daily average, all classes, 1,000 cars)	158	156	182
Check Payments (outside N. Y. City, millions)	$4,793	$6,848	$5,541
Money in Circulation (daily average, millions)	$4,526	$4,555	$4,800
Wheat Receipts (1,000 bushels)	5,848	4,940	11,393
Cotton Receipts (1,000 bales)	16	17	87
Cattle Receipts (1,000 head)	*154	124	170
Hog Receipts (1,000 head)	*406	‡448	561
Wool Receipts (1,000 lbs.)	20,952	*7,512	17,614
Prices (Average for the Week)			
Wheat (No. 2, hard winter, Kansas City, bu.)	$ .81	$ .82	$1.17
Cotton (middling, New York, lb.)	$ .132	$ .136	$ .184
Iron and Steel (composite, ton)	$33.18	$33.32	$36.72
Copper (electrolytic, lb.)	$ .112	$ .113	$ .178
All Commodities (Fisher's Index, 1926–100)	84.5	85.6	98.1
Finance			
Total Loans and Discounts, Federal Reserve member banks (millions)	$16,869	‡$16,960	$16,906
Commercial Loans, Federal Reserve member banks (millions)	$8,502	‡$8,517	$9,202
Brokers' Loans, New York Federal Reserve member banks (millions)	$3,243	$3,203	$5,813
Federal Reserve System Ratio	82.0	81.7	73.8
Stocks Sold (N. Y. Stock Exchange, 1,000 shares)	8,992	6,737	23,152
Stock Prices (N. Y. Times, average 50 stocks)	$190.91	$191.62	$276.29
Bonds Sold (N. Y. Stock Exchange, par value, thousands)	$47,869	$32,057	$71,942
Bond Prices (Dow, Jones, average 40 bonds)	$95.35	$95.09	$93.33
Interest Rates—Call Loans (daily average)	2.4%	2.4%	8.6%
Interest Rates—Time Loans (daily average)	2½–2½%	2½%	7½%
Business Failures (Dun, number)	428	435	440

*Preliminary ‡Revised § Estimate, days operating

Business Activity Index

The Business Week's preliminary index of the volume of general business activity for the week ended July 12 declined, as expected, to 97.2% of normal compared with the revised figure of 100.3% for the preceding week and 111.1% for the corresponding week last year. The revision of last week's index upward was required by a change in our estimate of building construction for the first week in July upon receipt of final figures, which raised the four weeks average upon which our building index is based. The decline in our index for this week is due principally to a lower level of building construction and check payments following the sharp rise at the end of June. Further declines may be expected in the next few weeks.

The production group in our index, which includes building construction, declined from 101.1% of normal to 99.3%. The index remains high because of the relatively high level of building construction during the past month. The group of general trade indicators as a whole declined more sharply, from 99.5% of normal to 95.3%, due to the sharp drop in check payments following the mid-year period.

Steel Activity Declines

The rate of steel ingot production, on the basis of the full week following the July 4 holiday, showed further decline to 57% of capacity for the industry. The rate of decline is now more marked than usual for mid-summer and brings the level of steel activity below that at the beginning of the year. Our index of steel production, adjusted for seasonal fluctuations and normal growth, declined abruptly from 90.4% of normal to 83.1%, the sharpest decline so far this year. Trade sentiment is divided on the prospects of upturn. The present low level is emphasized by shut-downs of major consuming plants like Ford, but *Iron Age* expects resumption of activity in August which will be reflected in steel expansion before the end of this month. *Steel*, however, sees nothing to warrant expectations of decided betterment this month or next. Pipe-line projects and structural steel demand are now the only sustaining factors, railroad and agricultural implement requirements being at the lowest level of the year. *Iron Age* finds indications of early improvement in the scrap and pig iron markets, which show the indefinite trend that usually precedes a turn. Prices continue weak.

Structural steel awards last week were over 50,000 tons, the largest this year. May and June steel construction contracts were above the average of the past four years.

Although during the first eleven days of July general building contract awards declined from a high level at the end of June, the daily average rate, based on

The Business Week's weekly index of general business activity, first of its kind, is based on eight series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation of the index see *The Business Week*, May 7, 1930, p. 39.

a four-weeks period, still remains above last year. Our index of building construction, based on the four weeks daily average and adjusted for seasonal fluctuations and normal growth, declined slightly for the latest week but is 11.2% above normal.

Heavy engineering contract awards, according to *Engineering News-Record*, increased for the week ended July 17 but were below the corresponding week of last year. This type of construction to date has run about 18% below 1929.

Coal Production

The daily average rate of bituminous coal production declined for the latest week and is considerably below the level of the past two years. There should normally be some improvement in the remaining weeks of July. Our index of coal production, adjusted for seasonal fluctuations and normal growth, declined from 70.4% of normal to 68.4%, the lowest level so far reached this year. The daily average rate of petroleum production declined further for the week.

Electric power production rose as usual for the week following the July 4th holiday but is 2.5% below last year, the largest deficit so far shown. Power production, however, appears to be following the usual seasonal trend and makes an unsatisfactory showing chiefly because of comparison with the corresponding period last year, when the industrial activity was increasing sharply up to the end of July. Our index of electric power production, adjusted for seasonal fluctuations and year to year growth, rose for the week from 100.7% of normal to 101%.

The commodity price situation continues shifting and uncertain. Dun's list for the week ended July 11 showed the largest number of decreases so far this year, with the same number of increases as during the recent weeks. The rate of commodity price decline in general was lower than the average during the past few months. Wheat and cotton prices averaged lower than during the preceding week. July wheat at Chicago touched 86½ cents but has strengthened somewhat in recent days. October new crop cotton fell as low as 12.66 cents but has also been stronger lately. Reports of crop damage have tended to hold up wheat prices and cotton has made a better showing than expected in view of the market situation and lack of Farm Board support. The copper price has tended to weaken in an uncontrolled market, some smaller interests making sales at 11¼ cents. Buying is fairly strong, however, at this level. Zinc and lead remain steady and tin somewhat stronger, but rubber and silk show continued weakness. The iron and steel composite continued to fall and is lowest since March, 1922.

The Fisher all-commodity index declined further along with the National Fertilizer Association's index. Foreign commodity price indexes for the latest week remained steady or showed a slight upturn.

The general trade indicators for the week are irregular. The daily average of total car loadings rose for the week and showed a deficit of 13.1% below last year and 7% below 1928. Non-bulk car loadings are running 12.2% below 1929 and 7.4% below 1928. Our index of this group of car loadings, adjusted for seasonal fluctuations and normal growth, rose slightly for the week from 89% of normal to 89.3%. An upward trend has been shown in our index for the past two weeks.

Check payments outside of New York City declined as expected from the high level of the mid-year peak. Our index of bank debits, adjusted for changes in the general price level, seasonal fluctuations and normal growth, and based on a two-weeks moving average, declined from 104.9% of normal to 97.2%.

Commercial Loans

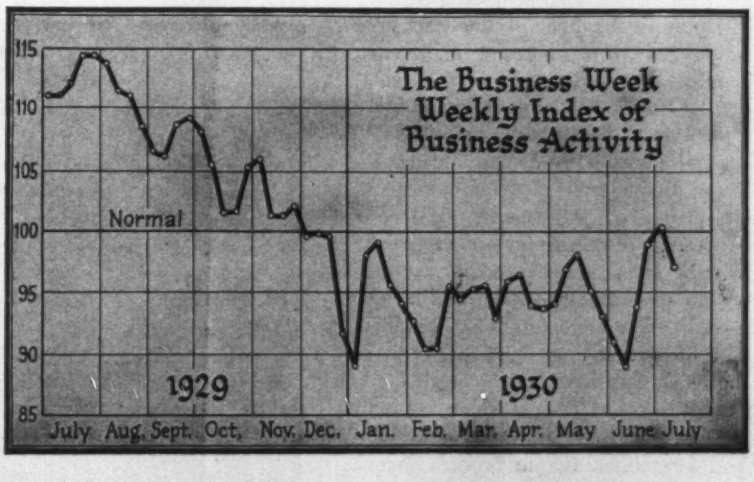
Although commercial loans of reporting member banks declined again for the week, our index, adjusted for commodity price changes, seasonal fluctuations and year-to-year growth, rose from 102% of normal to 103.7%.

The average amount of currency in circulation declined for the week along with bank debits and our index fell from 100.2% of normal to 99.5%.

The number of business failures showed a relatively small change for the week and was below the number in corresponding weeks of 1928 and 1929.

Our index of total loans and investments of reporting member banks, adjusted for seasonal fluctuations, normal growth and changes in the general price level, declined for the first time in the past two months but remains 1.9% above normal.

The Government's employment report as of the middle of June showed a decrease of 1.8% in employment and 2.7% in payrolls from the middle of May for the thirteen industrial groups covered. Excluding manufacturing, the remaining industrial groups showed very little change, a decrease of only 0.3% in employment and the same in payrolls. In manufacturing industries, where a falling off is usual from May to June, employment declined 2.5%, and payrolls 4%.



Money and the Market

SECURITY prices held up strongly this week and revived the usual talk of "double bottoms." Many old hands in the street cling to belief in this omen in times of uncertain trends, but the majority prefer more positive information.

Earnings reports for the second quarter are beginning to pour in with some measure of encouragement. Three important corporations, American Tel. & Tel., General Electric, and National Biscuit, have thus far shown increased earnings for the second quarter as against the first, while similar reports from General Motors and United States Steel are expected by those staking their funds on the bull side of the market.

Bank Stocks Gain

Bank stocks traded over the counter made conservative gains during the week in confirmation of increased earnings for the past year. This was particularly true of New York City trust company issues whose earnings seem to have been unaffected by the crash last fall. Profits and surplus of 25 of the largest in the city show an unexpected strengthening of position. Trust business had much to do with the showing.

The movement on the Big Board was led by industrials but public utilities and rails shared in the price increases. So also did diverse issues on the Curb. Opinion is divided as to whether the market rally is due to an oversold position of shorts or to the "constructive leadership" of traders who see the beginning of a steady upward movement.

There is some evidence in the condition of brokers' loans to substantiate the latter view. The technical position of stocks in the light of the loan situation has been improved in recent months. That a decidedly smaller portion of issues held are on margin is evident from the data on security values and money borrowed to hold them. These data indicate that approximately one-quarter of the current value of outstanding issues has passed in recent months from the hands of margin traders to those who can hold them outright. Recent reports on the condition of outstanding investment trusts show that they have bought in all they prudently could and are standing on the sidelines awaiting developments. The $40-million rise in broker's loans this week, all for account of banks, suggests revival of outside interest in the market with the recent strengthening of prices. Nevertheless, brokers' loans are close to $1 billion lower than a month ago.

The bond market, too, showed signs of life. Continued low money rates and the downward drift in commodity prices has worked in its favor. Though the improvement in bond prices is only moderate and trading rather quiet, demand for new issues by institutions continues. The price of foreign bonds reacted favorably to new flotations. The withdrawal of a part of an issue of debentures by a large oil corporation was rumored to have been due in part to expectation of better prices.

New issues of bonds since the first of the year amount on the average to $8 millions of bonds to $1 million of stocks. Comparison of this ratio with that of 2 of stocks to 1 of bonds during 1929 indicates the effects of steadily low money rates and a declining price level.

Savings deposits in many regions are definitely moving upward again. Life insurance sales during the first half of the year exceeded a total of $6½ billions, up 1.8% from last year. The increase was entirely in ordinary life. The lower level of building operations has limited the supply of acceptable mortgages as investments for these institutions and sent them into bond market. The same is true of commercial banks.

Call money touched 2% this week and was plentiful at that rate. Money was to be had outside of the Exchange for as little as 1¼%. Time loans ruled at 2¾% for 60- to 90-day obligations and 3% for 4- to 6-month loans. Commercial paper was discounted at between 3 and 3½%, while bankers' acceptances, eligible for Federal Reserve purchase or rediscount, sold at 2%. The June decline in acceptances of close to $77½ millions, reported by the American Acceptance Council, is ascribed to the decline in exports and the downward trend of commodity prices.

New York member bank credit expanded for the week, with a slight drop in investments, and with no borrowing from the Reserve. Reserve funds are now at a discount, at 1%—lowest ever. Total Reserve credit contracted sharply, with a marked drop in discounts and security holdings only partly offset by bill purchases.

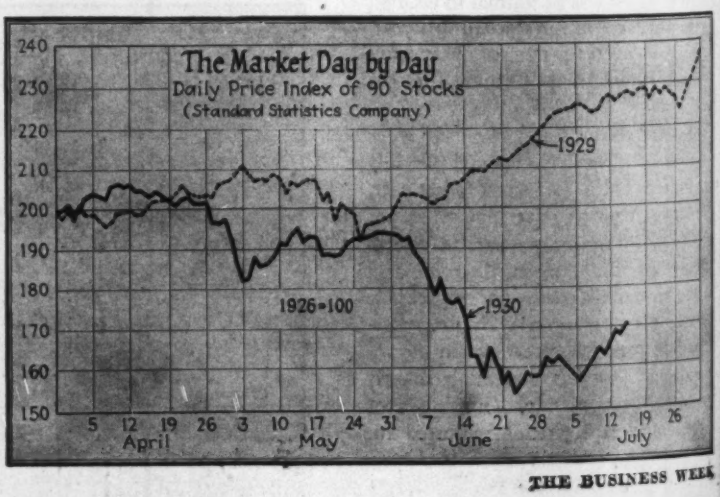
Gold to France

With the cost of the franc hovering steadily near the gold export point this week the announcement of a $4-million shipment of metal to France was not much of a surprise. The franc reached a high point of 3.93¾ cents early in the week. The rise in value of Canadian dollars to a new high since 1928 makes the export of gold an early probability. Tourist expenditures, rather than commodity or capital exports, are the underlying reasons for the outflow.

The export of gold was balanced by imports of $5 millions from Brazil, $1 million from Uruguay and some $367,000 from China, whose exchanges promise to continue at import points for some time to come.

In any event there is no indication that the quarter of a billion dollars of gold accumulated since the beginning of the year in excess of past accumulations will soon be seriously jeopardized.

Even if it were there would still be available sufficient gold to help business out of the doldrums. But gold holdings are not the only factor in the situation. The use of gold in credit expansion is a more important one.



Our Index Designed To Show Full Extent of Weekly Change

READERS who have followed the movements of *The Business Week's* weekly index of general business activity from week to week from the thermometer on the front porch will have noted the sharp drops or rises from time to time.

The figures do not act this way merely for the purpose of keeping thermometer-watchers interested. Although, of course, the general trend of the index over a succession of weeks and its average position below or above normal are the important things to watch, the weekly rises and falls have some significance. The marked irregularity of the index since the beginning of the year, during this period of business readjustment and stabilization, does reflect to some extent the uncertain, spasmodic character of business itself. But what is the cause of these weekly fluctuations, and how much importance should be attached to each in itself?

The 8 elements which enter into the index, and which will be discussed in detail in a later issue, are of widely different kinds. Most of them are fairly slow and regular in their movements from one week to the next, and do not fluctuate very widely within short periods above or below the general trend which they are following. Two of them, however—checks drawn and cashed in the principal cities outside New York, and building contracts awarded—are highly elastic and show wide changes from week to week. This is not because of holidays, since this factor is allowed for.

Check payments are affected from week to week by certain special factors. Dates of income tax payments, of payments of dividends and interest, of government loan operations and similar circumstantial factors do account for some of the large fluctuations in bank debits, and no satisfactory method of allowing for them has been devised.

There is one characteristic feature of the week-to-week movement of bank debits that can be and is taken account of. A chart of the raw bank debit figures will show a curiously persistent zigzag movement up one week, down the next, and then up again, unless one of the other influences just mentioned comes in to break the rhythm. The only known explanation of this is the fact that the practice of paying salaries and even wages by check twice a month has become quite general in the larger business centers. This brings to the banks approximately every 2 weeks a recurrent flood of checks to be cashed or credited to bank accounts. To prevent our index from jumping up and down every week merely because of this circumstance, the bank debit figures which enter into the index are based on a 2-week moving average.

Building contract awards are a more difficult problem. There appears to be no definite regularity in the week-to-week movement of these figures. Large single contracts may raise the total enormously from one week to the next.

This difficulty is diminished, though not overcome, by basing our index on the daily average during the preceding 4 weeks.

Most Important Elements

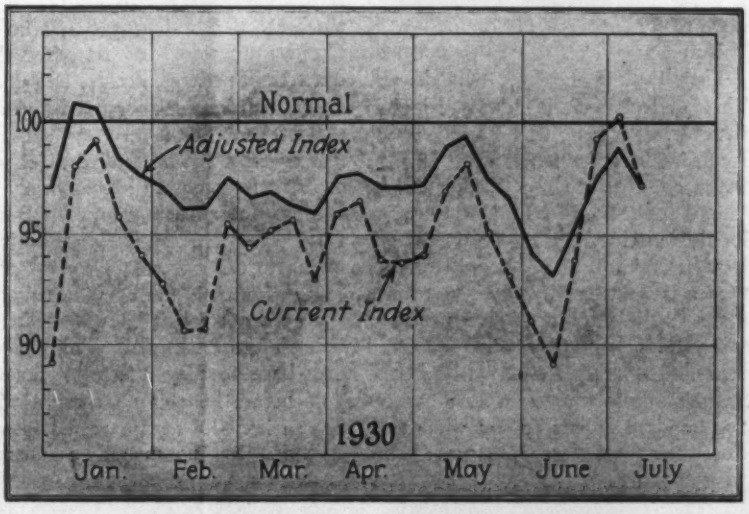
Since these two elements in our index are the most heavily weighted, because the most important as measures of business activity, movements in either or both of them from week to week do affect the general index greatly, and largely account for the fluctuations from one week to the next. But, considering that these movements in them reflect changes in the level of the daily average over a preceding period of from 2 to 4 weeks, they are of considerable significance as an indication of the shift and trend in the general level of business activity, especially when combined with the 6 other more stable elements.

Their influence on the whole index could be further minimized by an additional statistical procedure. Since some of the elements of the index, like the two mentioned, normally fluctuate more widely above or below the average over a period than do others, account could be taken of what is called their "cyclical amplitude" by reducing the weight given to those elements which vary most widely, and increasing that given to those that show the least fluctuation.

The chart on this page compares the course of our index as published with its course after such adjustment, since the beginning of the year.

We do not publish our index in this adjusted form, and shall not do so during the current period of business uncertainty, or until next year, for several reasons. One is that we think it more desirable that our index should reflect the full force of changes from week to week, after such modifications as are noted above, during a period like the present, when the fluctuations are of greater interest and importance than they would normally be. A second reason is that such an adjustment gives a relatively greater weight to elements of the index which are nearest to normal levels but of relatively least importance, and lesser weight to those elements farthest below normal but of greatest importance.

Finally, a decisive reason is that the data on which to base a fairly accurate estimate of the comparative degree of fluctuation of the elements in a weekly index like ours are inadequate to justify as yet making an adjustment on this basis. Not all of the weekly series of figures which enter into our index are available for longer than the past 2 years, and this is an insufficient basis upon which to make so important a change in so important an index.



The Dublin Letters

To James W. Dublin's Sister Martha, Replying to a Question of Importance to Mr. Derby Thomas

Office of James W. Dublin
New York
December, 1927

Dearest Marty:

I have your letter containing the brow-wrinkler entitled: "Shall I Give Derb a Golf Club Membership for Christmas?"

Derb is certainly doing his Xmas asking early. He has hinted to me, too, about this golf club business and I just let 'er drift; but I gather he has passed the proposition to you more direct-like. True enough, as you say, he insists that the money shall be advanced him as a loan in Santy's name and a good cause. But when all the little Christmas trees are prone upon the slushy ash-pile and the "January White Sales" bring us back to normalcy you will find that—loan or gift—Derb has raided your reticule for more dough than you can afford.

Derb should realize that your money is like the old lady's placket: both ends meet if too much strain isn't put on it. And I think you are the one to tell him so, not me. When an only son has hazy ideas about the family finances he rarely fails to stick on a couple of naughts to his estimate of the estate to keep the piker notions away. Give him the TRUTH for Christmas. Wrap it up in your love and a couple of neckties—but don't leave the TRUTH out of the bundle. I'm going to give Derb a decent check—but that's private between us now. On the golf club thing please say no. I mean a real crunching "NO!"—like a trolley car running over a straw hat with the unquestionable noise of a permanent finish.

Here's why—

First, Derb is no judge of clubs yet. This particular one he wants to join is somewhere on Long Island and is newly formed. In order to join you have to buy a bond or some kind of a trading stamp for two thousand, twenty-five hundred or maybe three thousand dollars. Two kinds of people will belong. One class consists of those who make more fuss over a cracked lip than a mere hurt like twenty-five hundred bucks. The other section will be composed of those who are always twenty-five hundred dollars *behind* when they close their fiscal year. They never know what to do about it, because there are no end of attractive propositions continually coming along and they can't seem to save a cent. Whichever set Derb gets in with or if he mixes 'em up, I don't think they'll help him frame the kind of personal policy he ought to have.

Second, and this is deep stuff, I suspect Derb is tuning up to solicit. There is something peculiar and indescribable about life in an advertising agency which makes many men—and particularly the younger ones—experience what is a pretty good substitute for transmigration of soul.

The copy-writer who has been living on the dream plane of words suddenly yearns to become the tough and material egg who goes out and solicits business. Thwarted in this, but wings still spread for flight, he buzzes around the flame of desire to be a contact man, or account executive. This achieved—as often it is for a probationary period at least—he either comes back to his desk all singed and with a happy sigh reaches for his pencil, or he finds that somehow in the cosmic shuffle he has become a Twin-Soul and is now *both* a copy-writer and a contacter with twice as much worry.

Meanwhile the account executive may be hankering to get hold of a pencil and ride away into that Elysium where he can achieve the ideal campaign by writing it himself. Sometimes he becomes a Twin-Soul, too, but more often he comes back to earth with his tail feathers in the gravel and decides that the best way to celebrate his return is to take a customer out to lunch. Simultaneously the business-getter, who has already progressed or retrogressed to contacting, perhaps, decides he can't go on unless *his* soul is wrapped up in the title of Vice-President.

I even had two men who felt they couldn't light out to higher things unless they took over my aura and became President. This seemed impracticable owing to the fact that I owned a majority of stock in the Dublin institution.

So it's not a bad guess that Derb is fixing up to fetch in some billing. He may have to play 3,522,487 holes of golf before he gets an account which he can honestly say he golfed into the Agency. But no matter—a feller has to make a start. I am not denying that now and then advertising accounts are picked up at Country Clubs. But hardly more often than you find a pearl in your stew at the Oyster Bar at the Grand Central Station.

Please don't encourage Derb to set up a lot of expensive scenery as a background for his career. Whenever you are tempted think of Dad.

You remember how Dad used to go around complaining that if he only had $10,000 extra *he'd* show people something. Remember how you and I would wig-wag each other across the table when Dad pulled the $10,000 wheeze? Well, he did get the $10,000 when Uncle Tim died, didn't he? And what happened? NOTHING! It took Mom a year or more after that to make him even paint the house.

I know I've piled on this inside business dope a bit thick and I don't expect you to understand all of it. But I did it on purpose, hoping you will say out of your own native common sense: "Oh, well, if everything's so complicated as all that I won't bother my head about it any more."

And it is as complicated as all that. These days a man has to do at least a dollar's worth of mental maneuvering—*in addition to the actual work, mind you*—in order to get himself in the strategic position where he can snap up a dime net.

It is no use worrying about Derb, because you don't know where to take hold so as to do him any good. You are in exactly the same predicament as if someone set you down in front of Roxy's organ with a keyboard like the steps to the State House—and then said go ahead and play it. You don't know which stops to pull out.

As I wrote you before, forget Derby. Consign him to a wise Providence and the booming fortunes of the U.S.A. and go on out in the kitchen and bake a cake. With much love.

Yours,

JIM.

P.S. A personal message for you, yourself alone and no one else. The enclosed check is for your holiday budget. You can take a small fragment of it to scatter Christmas handkerchiefs among the Ladies Aid Society if you like and the bulk of it I suggest be squandered on bright and gay raiment for Mrs. Martha Thomas. Get some swell Paris duds that will signify to the neighbors you have slipped the mourning and are going to prance out amongst 'em again.

God bless you, Marty. Next Christmas we'll spend together. That's a *positive date*.

JIM.

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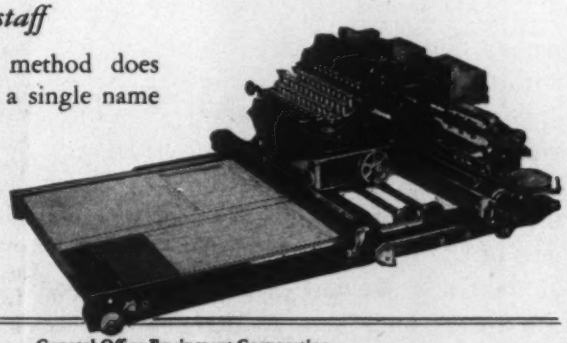

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THE BUSINESS WEEK

The Journal of Business News and Interpretation

July 23, 1930

The Wrong Bottle

THE Farm Board has joined the castor-oil school of economics, climbed on the toboggan of deflation, taken sides with the bitter-enders and defeatists. This critical moment of this troubled year, it has chosen to throw the emergency equipment of the Farm Relief Law overboard and drive home to farmers the lesson of acreage reduction by a drastic dose of the medicine of low prices for wheat and cotton—prices as low as the prevailing tide of doubt and fear may carry them.

This is a great mistake. The medicine will not cure the deep-seated ills of agriculture; administered now, it will only make the malaise of business worse and retard recovery. The board should immediately, through its established agencies, buy enough wheat and, as the new crop comes in, enough cotton, or loan enough on crops held by farmers or cooperatives, to make sure that prices of both do not go below present levels till next year.

This should be done decisively and without delay, not to help the farmer, or to pull any party's political chestnuts out of the fire, but with the sole and explicit purpose of insuring and aiding business recovery. We can deal with the farmer and the politician later.

This is no time to quibble either about the discretion of the political strategy or the soundness of the economic principles involved. We are bumping our noses against a condition, not speculating on a theory. This is an emergency in a far wider sense than the narrow, selfish intent of the Agricultural Marketing Act ever contemplated.

We believe as thoroughly as anyone that governmental attempts to control prices of any commodity are unsound and futile under ordinary conditions of world trade. They should be resorted to only in a crisis of war-time. But this is such a time and such a crisis. We are at war against the most dangerous, insidious and powerful enemy that modern economic society knows—the progressive collapse of world price levels which, unchecked, paralyzes economic initiative, destroys business confidence, redistributes wealth, divides creditors and debtors into opposing camps and sets labor and employers at each other's throats.

Wheat and cotton are now the shock troops holding the front trenches at this crucial moment of the campaign. If they are driven back much beyond the 1914 line the whole price front will give way and the bare twenty points or so that still separate us from the pre-war position of commodity prices will be wiped out—probably for good. If so, many classes will be paying a heavy indemnity for years to the destructive forces of deflation.

If the line can be held till promised business recovery brings relief, renewed confidence and expanding trade will soon make the apparently insurmountable mountains of commodity stocks in every line melt away in the fires of world demand. Then, on this surer terrain, it will be possible—and necessary—for the Farm Board to proceed with its constructive campaign for acreage control, improved marketing organization and the longer-time fundamental objectives of agricultural improvement. Otherwise the farmers will emerge from this world-war of prices only as a disgruntled army of a defeated nation—a revolutionary force to be reckoned with in the readjustment that would inevitably follow.

It will be better for business to pay the cost of this relief expedition now, than to pay a hundredfold in reparations later.

Published weekly by the McGraw-Hill Publishing Company, Inc. Tenth Avenue and 36th Street, New York. Tel. Medallion 0700. Price 15 cents. Subscription rate, $5.00 a year; foreign, $6.00.

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